FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,992 — Tuesday July 29 1986 — D 8523 B

Breaking point in US steel industry, Page 14

World news — Business summary

Car bomb in Beirut kills at least 26

A CAR bomb that blew up in rush-hour traffic in Christian east Beirut yesterday killed at least 26 people and wounded 90.

The explosion ripped walls from several buildings and set them and dozens of cars on fire.

Christian leaders have accused Syrian agents of planting bombs as a form of pressure on the Christian community following the collapse in January of a Syrian-mediated plan to end 11 years of civil war. Page 3

Taba talks plan

Israel, Egypt and the US will bold talks today to settle the status of the Red Sea beach resort of Taba, which Israel kept when its troops withdrew from the rest of the Sinai peninsula in 1982, according to an official travelling with US Vice President George Bush.

Peres offer

Israeli Prime Minister Shimon Peres said he told Moroccan King Hassan last week that Israel was ready to open immediate peace talks with Palestinians who renounce violence.

Thai Democrats gain

Thailand's moderate Democrat Party won 100 of 347 parliamentary seats in Sunday's general election and yesterday met to discuss the formation of a new coalition government.

Nicaragua plea

Nicaraguan President Daniel Ortega will address the United Nations Security Council today in an effort to get the body to dissuade the US from continuing support for anti-Sandinista rebels.

France expels Basque

France expelled a third suspected Spanish Basque separatist militant yesterday on the grounds that he was planning to carry out terrorist attacks. Despite Basque militants' campaign of summer bombings Spain reported a rise in tourism earnings that brought foreigners' spending to $3.6bn in the first half of 1986.

Portuguese jailbreak

Three guards were killed and two wounded as at least six prisoners escaped from Pinheiro da Cruz prison, 120 km from Lisbon.

Iran shells Basra

Iraq said yesterday that Iranian gunners shelled the city of Basra for the first time since June 1985 when both countries agreed to halt attacks on civilian targets.

Howe defiant

Sir Geoffrey Howe, British Foreign Secretary, refused to admit the apparent failure of the European Community peace mission to South Africa, saying that "at some time, some South African Government is going to be persuaded by somebody to take the key steps." Page 16

Soviet visit

Turkish Prime Minister Turgut Ozal arrived in the Soviet Union for a five-day official visit expected to deal with economic ties between the two countries and problems over the divided island of Cyprus. Page 2

Kohl to visit US

Bonn said that West German Chancellor Helmut Kohl will pay an official visit to Washington in October.

Masquerade revealed

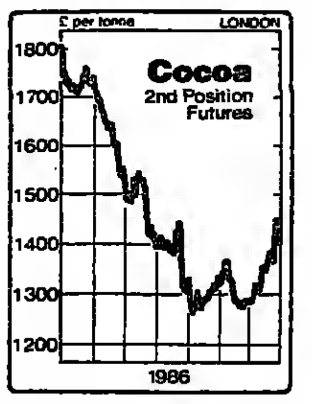
An 65-year-old nurse died in the South African town of Ficksburg where astonished doctors discovered she was a man. Gerrard Mohapi had masqueraded as a woman for 70 years.

Wall St slides; $ off sharply

WALL STREET: The Dow Jones industrial average closed down 38.14 at 1,773.90. Page 40

LONDON: Sterling's weakness left gilts lower but equities closed steadier. The FT Ordinary share index was 0.1 up to 1,263.8 at the close and the FT-SE 100 added 3.6 to 1,549. Page 40.

TOKYO: Hopes of a continuing bull market during August added to buying interest and the Nikkei average gained 40.65 to close at 18,038.94. Page 40



COCOA futures prices remained firm in London, with sterling's weakness an underlying cause. The September position ended below the day's peak but showed a rise of £14 at £1,447.50 a tonne. Page 32

DOLLAR closed in New York at DM 2.1115; SFr 1.6985; FFr 6.8325 and Y155.45. It fell in London to DM 2.1135 (DM 2.1450); SFr 1.7000 (SFr 1.7320); FFr 6.6375 (FFr 6.9390), and Y155.75 (Y157.60). On Bank of England figures the dollar's index fell to 112.7 from 113.4. Page 33

STERLING closed in New York at $1.4810. It fell in London to $1.4815 ($1.4830); DM 3.13 (DM 3.16); FFr 10.13 (FFr 10.29); SFr 2.5175 (SFr 2.5675), and Y230.75 (Y233.75). The pound's exchange rate fell 1.3 to 71.7. Page 33

GOLD rose $3.75 to $353.50 on the London bullion market. It also rose in Zurich to $353.45 from $349.60. In New York the Comex August settlement was $355.10. Page 32

ROBERT MAXWELL, publisher of Mirror Group Newspapers, apologised to Reuters chairman Sir Christopher Hogg over the sale of Reuters shares. Report and Reuters results. Page 26; Lex, Page 16

PRUDENTIAL-BACHE, US securities firm, is to set up an investment and merchant banking operation in London. Page 6

MORGAN STANLEY, US investment bank which went public earlier this year, increased earnings by 59 per cent in the second quarter despite what it described as "less favourable" market conditions in May and June. Page 16

OLIVETTI, Italian electronics group, received permission from the West German cartel office for the takeover of Volkswagen's office equipment subsidiary Triumph-Adler, which had sales of DM 1.05bn ($500m) last year. Page 16

SAFEWAY STORES, US-controlled supermarket chain, thwarted a hostile takeover bid by the Dart Group, a small Maryland retailer, by agreeing to a ($4bn) leveraged buy-out. Page 17

NESTLÉ, Swiss foods group, is confident of maintaining net consolidated earnings this year despite a 12 per cent fall in first-half turnover. Page 17

HALLMARK CARDS, world's largest manufacturer of greeting cards, and First Chicago Venture Capital, have agreed to acquire Spanish International Communications, owner and operator of the largest group of Spanish language television stations in the US, in a deal worth $301.5m. Page 17

CAPITAL CITIES/ABC, media conglomerate formed earlier this year, reported a 63 per cent jump in second-quarter earnings. Page 17

CENTRAL BANK INTERVENES HEAVILY AND RAISES RATES

Canberra relaxes investment rules to halt fall in A$

BY EMILIA TAGAZA IN CANBERRA

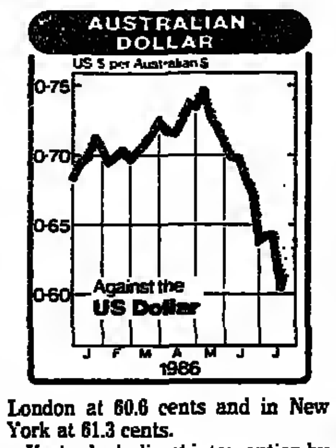
THE AUSTRALIAN Government was forced to act swiftly yesterday to arrest a sharp fall in the Australian dollar.

When its heavy foreign exchange market intervention failed to stem the slide, the country's central bank raised interest rates by up to 2 percentage points. The key Treasury discount rate rose from 14.6 per cent to 16 per cent.

The Labor Cabinet then made a dramatic gesture to the markets by relaxing foreign investment regulations to attract new overseas funds and ease some pressure on the currency.

The measures dismantle almost all restrictions on foreign equity investments, especially in the manufacturing and property sectors. They also include the abolition of the dividend withholding tax and branch profits tax currently levied on foreign investment.

The Australian dollar immediately rebounded to 63.5 US cents against a record low earlier in the day of 57.2 cents. It closed in Sydney at 61.5 cents, trading later in London at 60.6 cents and in New York at 61.3 cents.



Yesterday's direct intervention by the Reserve Bank, the first since the foreign exchange market was deregulated three years ago, followed the dollar's low opening in Hong Kong which caused heavy selling in other markets.

The Government's nervousness was also reflected yesterday by the announcement that Mr Bob Hawke, the Prime Minister, had cancelled his scheduled attendance at the South Pacific Forum early next month to concentrate on preparing the 1986–87 budget, due to be made public on August 19. The budget is expected to be a very tight one, with a deficit limited to A$5bn (US$3bn). The 1985–86 deficit reached A$5.74bn.

The Government's restoration of the withholding tax exemption applies to interest paid on Australian securities in overseas markets, whether in both bearer or registered form. Earlier this month, Mr Paul Keating, the federal Treasurer, had removed the withholding tax exemption from such securities, as well as from foreign borrowings by government corporations and authorities.

The relaxation of foreign investment guidelines focuses mainly on manufacturing and property. Canberra hopes that the easier access to these sectors, combined with the abolition of the dividend withholding tax and branch profits tax, will encourage increased equity invest-

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Tax reversal fails to end all doubts in Euromarket

BY ALEXANDER NICOLL IN LONDON

"WE'RE back in business," was the reaction of Euromarket bankers to yesterday's *volte face* by the Australian Government, removing a withholding tax on foreign borrowings imposed less than a month ago.

Despite their delight at the rapid reversal, however, bankers believe many questions about Australia's status as a foreign borrower have been raised by the affair. These may take some time to remove, and market activity is expected to resume cautiously.

The surprise move on July 1 to withdraw the exemption of most foreign borrowings from 10 per cent interest withholding had stopped in its tracks the busy activity by Australian borrowers in issuing Eurobonds and arranging other overseas financings.

An indirect effect had also been to halt new issues of Eurobonds denominated in Australian dollars. The move triggered the precipitous fall in the Australian dollar as market confidence in the Australian Government wanted.

Borrowers and banks have since been lobbying intensely in Australia, arguing that the tax would merely increase the costs of funding while bringing very little revenue into the Government's coffers.

There could also have been electoral implications. The Australian Wheat Board, for example, has been one of the largest issuers in the growing market for Euro-commercial paper – unsecured, short-term notes issued offshore – and the increased cost of continuing to fund itself in this way would have been passed directly back to Australian farmers.

Yesterday's change will reopen the markets for virtually all borrowers. The only two categories of debt to which yesterday's change does not apply – and on which, therefore, withholding tax will still apply – are loans signed several years ago with evergreen clauses allowing repeated renewals, and some loans to public authorities. State and Commonwealth entities will be able to issue securities free of withholding tax, provided the debt is widely held by investors.

For the markets, the fiasco has served to highlight the extent to which Australian entities have been borrowing abroad. This concern, which has already caused Australian bonds to move to above-average interest rate margins over US Treasury bonds in the Eurobond market, has also prompted Moody's Investors Service, the New York credit rating agency, to begin a review of the Commonwealth's triple-A rating.

The markets are keenly awaiting the outcome of Moody's review. A downgrading to double-A would further raise Australian borrowing costs.

Worries will also linger in the markets about what prompted the Government a month ago to take what seemed a hasty, ill-considered move without full awareness of the possible implications for financial markets and Australian borrowers.

The Government appeared to have been motivated, at least partly, by trade union pressure against takeovers of Australian companies being financed by cheap foreign borrowings.

"This is an embarrassing reversal for them," said one banker yesterday. "This has got to set a question mark over the stability of the Government and the way the Government manages policy. You have to wonder about the quality of their advice. If they'd gone to talk to market participants, they would have realised the problems."

A further question mark for investors hangs over the Government's broader economic policies and its ability to curb the balance of payments and fiscal deficits and inflation. Poor inflation figures helped to accelerate the Australian currency's decline last week.

Bankers and economists were forecasting, nevertheless, that prices of Australian bonds should slowly continue a recovery started after yesterday's package of measures.

Soaring demand lifts Boeing

BY TERRY DODSWORTH IN NEW YORK

BOEING, the world's leading aircraft manufacturer, benefited from soaring demand for both its commercial and military jets in the second quarter of this year, sweeping to bumper earnings as the replacement cycle turned in its favour.

Earnings leapt to $169m, or $1.09 a share, against $138m, or 93 cents a share in the same period of last year, while sales rose to $4bn from $3.4bn.

In the first six months of the year, net income jumped by almost 30 per cent to $317m, or $2.04 a share, from $246m, or $1.63 a share. Sales rose to $7.55bn from $6.30bn.

Mr Frank Shrontz, president, said that the higher operating earnings were attributable primarily to increased sales volume and interest income.

These gains, he added, had been partially offset by "substantially higher levels of research and development and other new business expenses related to commercial transport aircraft, future military and space programmes, and computing and electronics technology."

Boeing gave no forecasts for the rest of this year, but it underscored the buoyancy of the market by saying that during the second quarter, it had received orders for 172 jet transports worth $7bn. During the whole of the first half of 1985, Boeing won orders for only 77 airliners worth $2.6bn, while in the comparable six months period this year, it took 247 orders valued at $12bn.

Sales this year were projected at $16bn about 18 per cent more than the $13.6bn registered last year.

The Seattle-based company is also going into the second half of this year with a hefty unfilled order backlog. At the end of June, this amounted to $24.8bn, against $24.7bn six months earlier. Of this total, 76 per cent was for commercial customers, and 24 per cent for the US Government.

Moscow to pull six regiments out of Afghanistan

By Reginald Dale in Washington and our Moscow Correspondent

MR MIKHAIL GORBACHEV, the Soviet leader yesterday announced that six Soviet regiments would be pulled back home from Afghanistan by the end of this year in the first such withdrawal since the Kremlin sent its soldiers to Afghanistan in December 1979.

In a wide ranging speech in the Far Eastern port of Vladivostok Mr Gorbachev also said his response to President Reagan's latest arms control proposals would depend on the extent to which the Americans would compromise on the Star Wars programme, and he made a renewed overture to China.

Mr Gorbachev's announcement came on the eve of renewed Afghan – Pakistani peace talks, due to resume in Geneva tomorrow. It also coincided with a meeting between Mr George Shultz, the US Secretary of State and Mr Alexander Bessmertnykh, the Soviet Deputy Foreign Minister who was called in for talks on what was described as the "whole range of US-Soviet relations."

However, the US quickly brushed aside Mr Gorbachev's limited troop withdrawal announcement, saying that there was only one acceptable solution to the Afghan conflict. That was "the prompt and complete withdrawal" of all the approximately 118,000 Soviet troops in Afghanistan.

The State Department said that similar withdrawal announcements in the past had subsequently turned out to be no more than rotations of forces.

If Moscow was seriously interested in an Afghan settlement it should produce a short timetable for complete withdrawal at the next round of the UN sponsored proximity talks.

Mr Gorbachev billed the withdrawal as a step to hasten settlement of the seven years of fighting in Afghanistan and said Pakistan and other unspecified states had been told of the move.

However, Western diplomats estimated the regiments to be withdrawn, moreover, are of limited use to the Soviets in mountainous country, where airborne troops form the main thrust of the attack against the Afghan guerrillas.

Mr Gorbachev's proposal, therefore, seemed timed to bolster the Afghan position when Pakistan and Afghanistan resume their Geneva talks.

The Kremlin has already rejected, through a Tass commentary last week, what it says is a Pakistani

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Pressure on Reagan, Page 16

Sterling hit by oil crisis and political fears

BY GEORGE GRAHAM IN LONDON

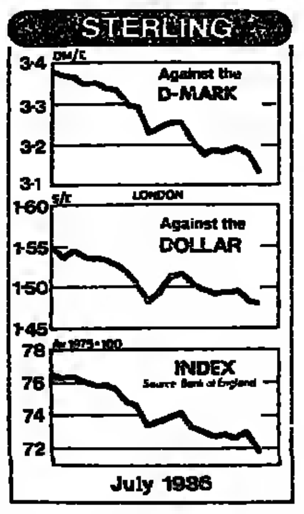
THE POUND sank sharply in the foreign exchange markets yesterday as anxiety over oil prices reinforced foreign investors' worries about political uncertainty in the UK. Sterling fell by 5 pfennigs against the West German D-Mark to close in London at DM 3.13.

For much of the day sterling moved down in line with the dollar, which weakened as concern mounted over the US trade position. Statistics on US trade in June are due to be published tomorrow and investors have begun to fear a sizeable deficit in the merchandise trade balance.

In the UK, government officials appeared relaxed over the pound's latest fall, ascribing it to rumours in the Far East that Mrs Margaret Thatcher had resigned as prime minister. This speculation took the pound lower in Far Eastern trading and gained a second wind in the afternoon in London following the announcement that Mrs Thatcher was to go into hospital for an operation on her hand.

Officials in London said it was neither surprising nor worrying that the pound should continue its adjustment to lower oil prices. These have fallen by over 60 per cent since last year, while sterling has moved down only by 6.9 per cent.

The oil market remained quiet, with virtually no trade reported, but dealers remained very nervous in the absence of any clear prospect that the meeting of ministers from the Organisation of Petroleum Exporting Countries in Geneva would agree on a revision of output quotas.



As some economists in London suggested oil prices could fall to $5 a barrel, investors became more concerned over the combination of a likely overshoot in government

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Lex, Page 16; money markets, Page 33; London share market, Page 40

Opec split on output quotas compromise

BY RICHARD JOHNS IN GENEVA

FOUR members of the Organisation of Petroleum Exporting Countries (Opec) yesterday rejected outright at the organisation's ministerial meeting in Geneva proposals for sharing oil output under a new collective ceiling of 17.6m barrels per day (b/d).

The refusal of Iran, Iraq, the United Arab Emirates and Qatar to adhere to a production plan drawn up by Dr Subroto, the Indonesian Minister of Mines and Energy, considerably dims the prospect of arresting the slide in oil prices and laying the basis for a recovery of prices to $17 to $19 per barrel.

This is the determined objective of the majority of 10 of the 13 members, although Iran Algeria and Libya are still committed to a deep cut in production, sufficient to raise prices by the end of 1986 to $28 per barrel.

This target was effectively abandoned by the majority after last December when Opec made a muddled and subsequently very contentious decision to try and recapture market share from non-member producers.

While some members rejected the Subroto plan, Saudi Arabia, Kuwait, Venezuela Nigeria and Indonesia are proposing a 15 per cent reduction in the production rates maintained by members in July.

They have suggested they might be prepared to go ahead on their own by lowering output by such a proportion. During July, the five are estimated by one major oil company to have accounted for 12.1m

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Steel production down 3.4% in OECD area

BY PAUL BETTS IN PARIS

CRUDE STEEL production in Western industrial countries declined by 3.4 per cent in the first half of this year compared to the same period last year, according to the half yearly report of the Organisation for Economic Co-operation and Development's steel committee.

It adds that the fall in OECD steel output has recently been accelerating, declining by 5.6 per cent in the second quarter. The committee thus confirms the gloomy picture painted by the OECD's annual survey of the world steel industry published last week. This warned that consumption and production would be stagnant this year.

Employment in the industry has also fallen—by more than 4 per cent in the European Community and by nearly 12 per cent in the US over the past year.

The agency warns that the financial position of many steel companies continues to be precarious and that prices, under pressure from worldwide overcapacity, have again been declining.

The reduction in output has been almost general throughout the OECD's 24 member countries. In the US and Canada, production in the first half was about 1 per cent lower than last year, while in the European Community and Japan the reduction was about 6 per cent. The fall partly reflected lower demand in the OECD area, but there was a considerable decline in net exports to the rest of the world, according to the report.

So far this year demand has declined by at least 5 per cent in the US, although the fall has been smaller in Japan, Sweden and in some EEC countries. Demand is currently higher than a year ago in Australia, Turkey, Norway and Switzer-

The OECD blames the sharp reduction in oil drilling activity, especially in the US and Britain, and the considerable deterioration in shipbuilding in Japan and Western Europe for lower steel demand. Its recent report on the shipping industry warned that there was little chance of an upturn this year.

The decline in capital spending in the US has also hit the steel industry, the steel committee notes. Steel imports in the US in the first five months of this year were 15 per cent lower than in the same period last year. In turn, the share of imports of the US steel market also fell from 25.8 per cent to 22.7 per cent. But the US claims that this is still *a higher* rate than the target figures in President Ronald Reagan's steel programme.

As for steel exports from the EEC and Japan, these have been considerably lower than during the same period last year while imports have been significantly higher. In the first five months, total Japanese steel exports declined by 13 per cent while total imports rose by 43 per cent, accounting for 5.3 per cent of the Japanese market. This is one percentage point higher than during the same period last year.

In the EEC, total exports declined by 27 per cent in the first quarter from a relatively higher level in the first quarter last year, while total imports increased by 33 per cent to around 13 per cent of the market from a relatively low level in the corresponding period, a year ago.

The report says that a significant part of the increase in EEC and Japanese steel imports has come from developing countries and Eastern Europe. At the same time, although the Soviet Union has imported this year a higher tonnage of steel from Japan, its imports from Western Europe have sharply fallen.

Rivalry surfaces on French right wing

By Our Paris Staff

MR JACQUES CHIRAC, the French Prime Minister, appeared set last night to defeat a censure motion tabled by the Socialist party in the National Assembly against his Government's denationalisation programme.

But if the neo-Gaullist Premier could bank on his slim *majority* in the Assembly to rush through his privatisation bill last night, he has received a reminder of how fragile his support is from none other than former President Valery Giscard d'Estaing.

The latter refused on Friday to vote in favour of a government bill to raise social security contributions and to impose a special tax on all revenues. Although the additional social security funding was approved by a majority of four votes, Mr Giscard d'Estaing's gesture was a clear signal of the divisions and political rivalries which Mr Chirac faces in his own majority.

Mr Giscard d'Estaing, like a number of other right-wing and centrist deputies, criticises the special social security levy on the grounds that it contradicts the Government's promises to cut income taxes and the overall tax burden in France.

Moreover, the decision to introduce a special 0.4 per cent across-the-board levy on all revenues in order to fund the social security system ȷ. in many ways similar to the 1 —̄ cent special levy of the former Socialist government.

Mr Philippe Seguin, the Social Security Minister, proposed the special levy and an

Mr Giscard: refused to support tax bill

0.7 per cent increase in pension contributions by wage-earners, but not companies, to help cover the social security deficit expected to total about FFr 20bn (£1.95bn) this year.

The former President's move is all the more pointed in that it comes barely a few days after Mr Chirac publicly renewed his pledges to cut the overall tax burden by 1 per cent a year.

Despite expected income and *business tax cuts* in the Government's 1987 budget, the special social security levy is likely to hold down the reduction in the tax burden to 0.6 per cent of gross domestic product at the most.

A power struggle taking place behind the scenes on the French right. Mr Giscard d'Estaing continues to have ambitions for a political comeback while Mr Raymond Barre, the former Prime Minister, remains Mr Chirac's main rival on the right in the next presidential elections, due in 1988 if not earlier.

As for the government's privatisation bill, it is expected to complete its process of parliamentary approval by the first part of August.

Oil bill declines

France's oil import bill fell by 44.6 per cent to FFr 52.08bn (£4.1bn) in the first six months this year compared to the same period in 1984 and is likely to have a continuing beneficial effect on the trade balance, Reuter reports from Paris.

Commission survey points way to more jobs

BY TIM DICKSON IN BRUSSELS

MORE FLEXIBLE working arrangements such as job sharing, fixed term contracts and profit related pay could add as much as 6 per cent to the current European labour force, according to a report published yesterday by the European Commission.

Its findings — based on separate surveys of employees, industrial employers, and the wholesale and retail trades carried out over the last year in most member states of the Community — add further weight to the arguments of those calling for greater labour market flexibility as a means to combat unemployment. They follow publication of a recent OECD report which drew similar conclusions.

The Commission suggests that the interests of employers and employees need not necessarily be in conflict—indeed interest in more flexible working hours was greater among the workforce than inside the boardroom.

It also points to what it believes is "the untapped potential for part-time jobs" where the desire of employees for such employment seems more or less to match in aggregate the opportunities which companies could provide. On the other hand, it says, "the provision of additional part-time jobs would essentially bring down the number of registered unemployed to a fairly small extent, since those concerned are partly drawn from the 'latent reserve' (e.g. discouraged workers and women at home)."

The Commission believes that, "in contrast to the argument frequently put forward in public discussion," it is not so much absolute wage and salary levels as non-wage labour costs which companies see as inhibiting employment. In general the 8,000 employers interviewed felt their workforces were still too large (except in the Netherlands and West Germany), and blamed primarily insufficient demand and poor price competitiveness for their reluctance to employ more labour.

Asked what institutional changes on the labour market would induce *them to take on* more employees over the subsequent 12 months, they cited shorter periods of notice and simpler procedures for redundancies and dismissals, more fixed term contracts, better trained job-seekers, wider differentials, more productivity linked wages and salaries, lower starting salaries and more flexible working hours. By contrast, they considered that a reduction in standard weekly working hours *per se* and more profit sharing would have relatively little employment impact.

The report estimates that, over the next year or two, roughly half Europe's industrial concerns plan to introduce more flexible working hours—primarily to adjust their capacity more easily to demand. Around 40 per cent say that some of their full-time jobs could be split into part-time jobs without significant economic disadvantage for the company, though, as the author of the report points out, it is another question whether such workers would be prepared to share them.

The survey reckons that job sharing alone could add 3 per cent to the workforce, with another 3 per cent indicated by companies themselves if labour market reforms were introduced.

The employee survey, conclusions of which were published last year but which have now been updated to include Spain and Portugal, shows that about one-third of employees in Europe are more interested in shorter working hours than in higher pay, that more than a half are prepared to accept more flexible working arrangements, and that they generally show solidarity with their employers when times are hard.

A Commission official pointed out yesterday that the scale of employment increase implied by the survey would be possible without the sort of wholesale *labour* market deregulation familiar in the US. He cautioned, however, that the reforms would only succeed if companies were expanding, that they might take two to three years to work their way through, and that the decrease in unemployment would be less than the increase in employment.

Brussels fines Belgian companies for fixing prices

BY OUR BRUSSELS STAFF

SEVEN SMALL and medium-sized Belgian roofing felt producers have been fined a total of Ecu1m (£663,000) for operating a price fixing cartel in contravention of the EEC's competition rules.

Announcing the punishment yesterday the European Commission said that while the penalties were relatively small by comparison with those in some previous cases, they were nevertheless "stiff for the companies involved." Moreover, they reaffirm the principle that so-called "national agreements" fall within the Commission's competence.

During its investigations in 1984 and 1985 the Commission found that a formal cartel agreement had been drawn up in 1978 by seven of the then ten Belgian producers. The idea was to organise and protect from external competitive influences the market for roofing felt—essentially bitumen-coated sheeting used extensively for water proofing.

The agreement provided for market sharing quotas, common price lists, minimum prices and joint action to deal with any threats to the cartel from new entrants, increased foreign competition or the introduction of new products. There were also restrictions on the sale or leasing of production facilities and on the production of roofing felt on behalf of non-members for delivery to the Belgian market.

The Commission found that the companies laid down maximum price discounts, especially from 1978-80, and that they jointly attacked another Belgian producer, and a roofing felt importer from another EEC member state which were undercutting them. They also tried to discourage the rescue of a bankrupt producer.

In imposing the fines the Commission said that it took into account the small size of the offenders, "who may not have fully appreciated the applicability of the Treaty rules, and the fact that these companies faced economic difficulties as a result of the crises in the building industry."

Laura Raun assesses prospects for the Dutch Socialists

Kok points party in new direction

DUTCH LABOUR Party Politics have been shaped for so long by Mr Joop den Uyl, the party's impassioned leader, that the Socialists must find a new identity now that he is gone. After two decades in the post and years of delay, Mr den Uyl finally handed over the leadership last week to Mr Wim Kok, a political novice but popular figure.

Mr Kok, a 25-year veteran of union work, faces one important task: to put Labour back in power after what well may be nine years on the opposition benches. The Christian Democrat-Liberal government has just begun its second four-year term in office after the general election in May.

A pragmatic and sober man, Mr Kok is trying to maintain party harmony by keeping expectations modest, and avoiding comparisons with his more ideological and fiery predecessor. Amid some criticism the 66-year-old Mr den Uyl led Labour into the election for a seventh time even though he had lost much of his charisma in recent years.

He was eclipsed in the campaign by the fresher and younger Mr Kok, who is 47 and who won his first seat in Parliament. A less academically inclined man, Mr Kok brings a more flexible and practical style aimed at broadening party support.

"The Labour Party must no longer take an inward looking view which alienates large groups from us," he said on taking office. "We must be prepared to open the hatches to social organisations and political parties which have different ideas to our own."

By European standards, the Dutch Labour Party probably ranks among the more pragmatic but Mr Kok, not unlike Britain's Neil Kinnock, is seeking a new identity that treads a fine line between a more moderate approach on the one hand and a clear alternative to the current centre-right Government on the other. The post-election resignation of Mr Max van den Berg, the party's radical left-wing chairman, will ease the way.

The new image is focused on three key areas: defence, economic and energy policies. Mr Kok, a rather relaxed orator, will have his first chance to sketch the outlines on Thursday after the Government presents its programme for the next four years.

His straight talk has already raised speculation of a softening in the Socialists' adamant opposition to the deployment of nuclear missiles on Dutch soil, the main stumbling block to a Christian Democrat-Labour coalition after the election. The party had threatened to renege on the Dutch-US treaty providing for deployment of the 48 cruise missiles in 1988 if it won power but the purge of some hardline elements could change that.

Economic policies could prove a trump card for the Socialists after two terms of austerity policies under Mr Ruud Lubbers, the Christian Democrat Prime Minister. Educated as an economist, Mr Kok is likely to argue that a looser fiscal policy would boost the *Netherlands'* anaemic 1.5-2 per cent growth. A pledge of *no* more chipping away of the huge and hallowed welfare system and smaller cuts in government spending could be rallying points.

Nuclear energy is another area where moderation could be demanded. The Socialists bitterly opposed an expansion in nuclear power and urged the closure of the two existing reactors even before the Chernobyl disaster in the Soviet Union. They may need more flexibility in their position if plans for

Wim Kok: more flexible and practical

two new nuclear generators go ahead.

If there is any chance to topple the Christian Democrat-Liberal Government it may be on the emotionally charged issue of euthanasia. The Socialists will do their best to drive a wedge between the coalition partners in coming months when Parliament is expected to consider a bill to legalise active euthanasia.

The Christian Democrats, whose precepts are based on the Bible, can barely stomach the motion of legalising mercy killing and could only support a very restrictive law. The right-of centre Liberals support euthanasia fully, but more as a way of signalling their independence *from* their *partners* than on the issue itself.

Mr Kok headed the FNV, the country's largest labour federation, since its founding in 1975 and earned a reputation for keeping the various factions together. He really made his name in the 1983 public sector strikes which ended after six weeks with a minimum of bitterness, even though civil servants had to take a 3 per cent wage cut. He resigned from the FNV last September to stand for Parliament.

Having been born in the industrial city of Rotterdam and growing-up as the son of a construction worker, Mr Kok now seems to have a good rapport with the public. A central part of his task in putting his party back in government is drawing new voters.

He will continue to try to *broaden* the party's traditional working-class base of support. In the past, four years efforts were made to cultivate links with employers' groups, business and white-collar workers but with limited success.

Mr Maurice de Hond, Labour's most prominent millionaire and a leading public opinion pollster, dealt the party a blow when he recently resigned his membership amid caustic criticism of Mr den Uyl. Party members retorted that Mr de Hond was just embarrassed over his persistent forecasts that the governing coalition would lose its majority in the election.

The Socialists did gain five seats for a total of 52, making them the largest opposition party, but that fell far short of hopes for an *extra 10*. Most of the gains came from small left-wing parties instead of from the centrist Christian Democrats, raising questions of how far a shift to the middle can go.

What Labour may hope for is a gradual swing of the pendulum back to the left in coming years as the Dutch tire *of* economic austerity, welfare system cuts and a shrunken public sector. General elections in the Netherlands, Belgium and France have shown no hint yet of such a swing but the time may be ripe in 1990.

Ozal on five-day Soviet trip

By David Barchard in Ankara

THE TURKISH Prime Minister, Mr Turgut Ozal, flew to Moscow yesterday for a five-day official visit aimed at boosting trade connections. However, he faces some thorny political issues which will have to be resolved before Turkish-Soviet relations can be improved.

The climate for improved trading links is now much less encouraging than it was in December 1984 when the then Soviet Prime Minister, Mr Nikholai Tikhonov, visited Ankara amid speculation *of* significant increase in economic relations.

Trade last year between Turkey and the Soviet Union consisted of $190m in Turkish exports and $220m worth of imports from the Soviet Union, although a $6bn trade agreement up to 1990 was signed in March last year. Turkey plans to buy 3,000m cubic metres of Soviet natural gas by 1990

Five economic agreements will be signed during Mr Ozal's visit. But Turkey is also concerned at the way the Soviet Union has appeared to draw closer to Greece recently. When Mr Longinov, the Soviet Deputy Foreign Minister, visited Cyprus earlier this month he did not visit the Turkish sector and criticised the proposals of the UN Secretary General, Mr Perez de Cuellar, for another round of intercommunal negotiations.

One slightly unusual feature of this visit is that Mr Ozal will fly tomorrow to Tashkent, the capital of Uzbekistan, where he will be able to observe conditions in Soviet Central Asia. The Uzbek population speaks a language very close to Istanbul Turkish.

Mr Ozal is likely to seize this opportunity to tackle the most sensitive issue of all — the persecution of the 800,000-strong ethnic Turkish minority in Bulgaria who have been forced to abandon Islam and change their names

The Soviet leadership has insisted that it has no influence over Bulgaria's minority policies, but Mr Ozal is under very strong pressure from Turkish public opinion. If there is not a change soon in Bulgaria's policies, Turkey's relations with the East bloc are likely to deteriorate.

Polish reforms need time to work, says economist

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND NEEDS two or three years to balance its economy and to allow measures aimed at increasing efficiency a chance to take effect, according to Professor Zdzislaw Sadowski, head of the Polish Economic Association and until last year deputy minister for economic reform.

The Government is in the throes of a major review of prices and incomes policy to be incorporated in the 1986-90 plan being prepared for approval by Parliament in the autumn. The issue at the heart of the *review is* the *pace* at which the government should cut subsidies and bring demand into line with supply, as well as a revaluation of the zloty to boost exports.

This is also of interest to the International Monetary Fund to which Poland, as a re-admitted member, expects to turn soon for new credit. During the first six months of this year, Poland had a $530m surplus in its hard currency balance of payments, still not enough to service its rescheduled $31.3bn foreign debt.

The refusal of Western governments to provide new credits at levels the Poles consider adequate, and a weakening of hard currency export growth has led Warsaw to signal that it wants to renegotiate a previous agreement rescheduling payments falling due between 1982 and 1984.

"Every stabilisation plan in the past has included foreign credits," Prof Sadowski said.

Industrial output in the first half of the year was 5.4 per cent above the same period last year, while wages growth accelerated to 20 per cent. The cost of living index is also growing and by the end of June was running at a rate of 18.6 per cent.

Speaking as the Government announced a modest 8 per cent rise in the price of meat, Prof Sadowski said that fear of social upheaval was not the most important factor which could weaken official resolve to toughen economic policies. Rather, the problem was that so much industrial production was in the hands of monopolies.

Attempts to let the inefficient go to the wall under bankruptcy laws could always be countered by arguments that their output was crucial to *the economy* and *the only* alternative was to increase subsidies, he said.

"The political resolve has to be there to weather the temporary dips in production brought about by getting rid of the inefficient," Professor Sadowski said. "Also, there must be more competition."

Until last year, Prof Sadowski was deputy head of the government body responsible for implementing the *economic* reforms decreed in 1981. He has been encouraged by the directive issued by the Communist party congress at the beginning of July to speed up the reform.

So far, the Government has announced that some cuts in rationing of industrial inputs will be made from next year. A committee to review and streamline the structure of economic management and the administration, including the Government, is also being set up. Mr Marian Wozniak, the reformist minded Communist party secretary responsible for the *economy*, is to heed it.

He told a senior party meeting last week that one of its aims would be to "seek out and mobilise supporters as well as neutralise opponents of the changes."

French state sector faces cuts

BY OUR PARIS STAFF

CAPITAL grants to French nationalised groups are expected to be cut sharply next year as part of the overall reduction of about 10 per cent in the French industry ministry budget.

This is estimated at FFr 25.4bn (£2.5bn) next year compared with this year's budget of FFr 28.3bn. Although the *cuts* will hit most industry sectors, the troubled French shipbuilding industry will be spared.

The overall credits made available to shipbuilding will rise to FFr 3.6bn next year from FFr 2.94bn. The Government has already launched a major industrial reconversion programme following the bankruptcy of the Normed shipping group.

Capital grants to nationalised *groups, most* of which are *due* to be privatised, will drop to FFr 6.5bn next year. Capital grants initially totalled FFr 8.3bn this year but were boosted with additional funds totalling FFr 8bn for the state-owned Renault car group and the steel industry.

Subsidies to the coal industry next year will be held at this year's level of FFr 7.4bn, implying a decline in real terms. The high technology sectors will *also suffer a reduction* in grants to FFr 7.6bn next year from FFr 9.8bn.

Craxi calls coalition 'summit'

By Alan Friedman in Milan

MR BETTINO CRAXI, the Socialist Party leader who last week reached a tentative compromise designed to end Italy's 32-day-old government crisis, will today call together the leaders of the five parties of the fallen coalition to put the finishing touches on the deal.

Mr Craxi, who under the terms of the compromise will remain as Prime Minister until next spring, resigned on June 27 after a parliamentary defeat. Until last week, Mr Craxi's Socialists and the Christian Democrats were engaged in a bitter struggle for the Prime Ministership. Under the compromise, a Christian Democrat—possibly Mr Giulio *Andreotti*—would take over as Prime Minister next March.

Today's "summit" meeting, as it is being described in Rome, could prove decisive if the five parties—the Christian Democrats, the Socialists, Republicans, Liberals and Social Democrats—can agree on the form of a new government. The two options being discussed are to form a new government after a cabinet reshuffle or to send the fallen Craxi *government* back to parliament for a fresh vote of confidence.

Mr Craxi is expected to make a formal announcement of the compromise this week. The parliament will then hold a debate and the final vote of approval is expected by the end of next week.

Yugoslav petrol plan to boost tourism

The Yugoslav Tourist Association plans to offer a free tank of petrol to foreign tourists, Reuter reports from Belgrade, quoting the official news agency Tanjug. It said foreign tourists at present received coupons offering a 5 per cent discount on petrol but the incentive was not attracting enough people.

Juan Carlos calls on Spaniards to fight 'plague' of terrorism

BY TOM BURNS IN MADRID

KING JUAN CARLOS of Spain criticised terrorism sharply yesterday just hours before Prime Minister Felipe Gonzalez's Government met for the first time following a weekend cabinet reshuffle.

Speaking at the official opening of the Parliament elected in last month's elections, the King said: "Terrorist violence which bloodstains the land fills us with sorrow and indignation." He ended *his* 10-minute address with a "solemn call for a common effort to eradicate this plague which seeks criminally to attack our liberty and our democracy."

The previous day a tense funeral, attended by more than 1,000 people, had been held for the Basque separatist movement, Eta's latest victims—two Civil Guards killed by a bomb on Saturday. One of them was the son of a judge murdered by Eta in 1978.

In San Sebastian yesterday eight people appeared in court following a weekend of violent clashes between police and pro-Eta supporters. At least 18 people received hospital treatment after police used rubber bullets and tear gas against the demonstrators who were protesting against the recent French crackdown on Eta suspects living in south-western France.

Mr Gonzalez, whose Socialist Party won a renewed outright majority in the elections, did not, however, reflect the heightened violence in the government appointments he made on Friday night.

Mr Jose Barrionuevo, the Interior Minister since 1982, was *reappointed* despite growing criticism of lax security. Eta has been responsible for six serious terrorist incidents in Madrid alone this year which have caused 20 deaths.

THE FRENCH authorities arrested a man suspected of belonging to the Basque separatist organisation, Eta's military wing, and expelled him yesterday across the border to Spain, AP reports from Bayonne. *It was the* third such expulsion of a Basque militant under a ministerial order of "absolute urgency" in less than two weeks.

Jose Luis Artola Amenza (30), a native of Spain who had been living in the French Basque region for several *months, was handed* to Spanish police at the border yesterday morning.

The *Prime Minister brought* in four new ministers to junior, technical posts and moved Mr Joaquin Almunia, Labour Minister for the past four years, to a newly-created Public Administration portfolio which will be concerned principally with overhauling the civil service.

It has been suggested that Mr Gonzalez intends to reshuffle the major jobs in his government next December when he will *choose* a cabinet team to last through to 1990. He is reported to want government departments to tie up loose ends of legislation left hanging when the general election was brought forward from October to June and that he will give his governing team a definitive shape after the completion of the budget debates in November.

The senior members of the cabinet who have served Mr Gonzalez since 1982 were reappointed. *In* addition to the Interior Minister, Mr Alfonso Guerra stays as Deputy Prime Minister. Mr Javier Solana, the Culture Minister, remains, as do Mr Narcis Serra in the Defence portfolio and Mr Jose Maria Meravall at Education.

Also kept on are Mr Francisco *Fernandez Ordonez*, the Foreign Minister who was brought into the cabinet last year, and Mr Carlos Solchaga who was promoted at the same time from the Industry Ministry to be Minister of Economy, Finance and Trade.

The new men have in common their youth—the oldest of the four is 42 and the youngest, Mr Luis Carlos Croissier, the Industry Minister, is 35—their longstanding connection to the Socialist Party and a proven experience in the administration.

Mr Croissier has been chairman of INI, the public sector holding company, since late 1984 and was a former Secretary of State for Industry. Mr Julian Garcia Vargas, the new Health and Consumer Affairs Minister, is a senior member of the Treasury and was president of the Instituto de Credito Oficial, the state's credit agency.

Mr Virgilio Zapatero, a law professor, had been in charge of relations with Parliament with the rank of Secretary of State *since* 1982. *His job is* now upgraded to ministerial rank and has the added title of Cabinet Secretary.

Mr Manuel Chaves, the new Labour Minister, a labour lawyer who has been associated with Mr Gonzalez for nearly 20 years, has been a member of Parliament since 1977 and a member of both the Socialist party executive and of that of the party's "fraternal" trade union, the Union General de Trabajadores.

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, *represented by E. Hugo, Frankfurt/Main*, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main. Guiollettstrasse 54, 6000 Frankfurt am Main 1. © The Financial Times Ltd. 1986.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

India signs launch deal with Arianespace

By Paul Betts in Paris

INDIA has chosen the European space rocket Ariane to launch a new multi-purpose telecommunication, broadcasting and meteorological satellite, Insat-1C.

Arianespace, the company which commercialises Ariane launches, confirmed yesterday that it had signed its first launch contract with India.

The Indian satellite, due to be launched by Ariane at the beginning of 1988, was originally due to be launched by the US space shuttle.

India's first two satellites, Insat-1A and Insat-1B, were launched by the US shuttle. However, India decided to turn to the European rocket following the delays in the US shuttle programme after Challenger's accident at the beginning of this year.

Arianespace said yesterday that the European rocket had now received firm orders for the launch of 54 satellites out of which 37 remain to be launched. Its backlog is now worth about $1.6bn.

Meanwhile, Mr Jacques Chirac, the French right-wing Prime Minister, is due to decide on the future of France's FFr 3bn ($434.7m) direct broadcasting television satellite programme at a meeting today with representatives of all the parties involved in the controversial project.

Hungary to sell trucks to China

HUNGARY will supply 780 Raba trucks to China this year and next, writes Leslie Colitt in Berlin.

In a related deal, China will re-export 5,000 Polish-made Polski Fiat 126 cars to Hungary by the end of next year. The cars are to be shipped directly to Hungary from Poland.

Dr Bela Kadar, an economist at the Hungarian Academy of Sciences, said Hungary's share in world trade fell to 0.4 per cent last year from 0.7 per cent in 1970. Its share in world industrial exports also fell to 0.4 per cent last year from 0.9 per cent in 1980.

The loss of market positions for Hungarian industrial goods wes strongest in other Comecon countries

Rescue workers carry one of the victims away from the scene of yesterday's car-bomb explosion.

Car bomb kills 26 in E Beirut

A CAR bomb killed at least 26 people and wounded 90 when it ripped through rush-hour traffic in a heavily-populated residential street in Christian east Beirut yesterday, Reuter reports.

Security sources said the blast occurred 500 yards from Beirut's "Green Line" battlefront, and that tha death toll was likely to rise.

The bomb exploded as Prime Minister Rashid Karami met Lebanese and Syrian army officers to fix a date to extend a security crackdown to Moslem West Beirut's teeming southern suburbs.

The Christian Voice of Lebanon Radio said 32 people had been killed by the blast, one of the deadliest in a series of explosions to rock east Beirut this year amid worsening political deadlock

The Sunni Moslem Education Minister, Mr Selim al-Hoss, condemned "this horrible crime committed against civilians at Ain al-Rummaneh. . . . We hope investigations will expose the criminals responsible

Offices of Christian President Amin Gemayel's Falange Party occasionally have beeo targets in previous east Beirut bombings this year, in which 70 people have been killed and hundreds injured.

Christian politicians said that although there were Falange offices in the vicinity of yesterday's explosion, the blast appeared aimed only at causing maximum casualties.

US to absorb fewer Vietnamese refugees

BY DAVID DODWELL IN HONG KONG

THE PROSPECTS of resettlement for many of the 8,400 Vietnamese refugees held in camps in Hong Kong have suffered a severe blow following a US Government statement that it will from next month absorb less than half its normal monthly offtake.

The US has over the past 10 years accounted for almost 50 per cent of the 110,000 refugees resettled from Hong Kong. It traditionally absorbs 125 a month, but in August, the US refugee programme will take around 50.

A cut by the US will not only have a serious direct impact on the rate at which refugees find permanent homes, but is also likely to deepen controversy in Hong Kong over the policy of keeping refugees in closed camps.

Essentially, US officials have challenged whether many of those arriving in Hong Kong can claim to be genuine refugees.

Instead of being South Vietnamese, with past links with the US in Vietnam, many refugees were arriving from North Vietnam, officials said.

Japanese Socialist Party chief resigns

Japanese Socialist Party chairman Mr Masashi Ishibashi, taking the blame for his party's defeat in July 6 general elections, announced yesterday that he would step down from the post he has held for three years, AP reports.

The rest of the 32-member executive committee of the party, known as the JSP, also announced their resignstions, Mr Rikuo Ito, party spokesman said.

The Socialists lost about one-fifth of their strength in the 512-seat House of Representatives dropping from 110 seats to 86.

Delhi clashes

Sporadic violence marked a protest general strike in New Delhi and some towns in northern India yesterday, when Hindu activists clashed with police, K. K. Sharma reports.

The protest was, however, mostly peaceful although tension in Delhi remained high. Curfew continued to be enforced in areas affected by riots following the killing of innocent Hindus in Punjab state by Sikh terrorists. The army stood by to help police maintain order.

Gurkha strike

Indian troops patrolled the north-eastern town of Kalimpong yesterday as a Gurkha protest strike paralysed Nepali-speaking areas of West Bengal state for the second time in two months, Reuter reports.

The Gurkha National Liberation Front (GNLF) called yesterday's five-day strike after police shot dead eight militants during street disturbances sparked by the Front's campaign for a Gurkha state in West Bengal.

Revolt complaint

Police filed accusations of rebellion against the former Philippines foreign minister Arturo Tolentino and 40 others who tried to overthrow President Corazon Aquino's government, Reuter reports.

Justice Minister Neptali Gonzalea said the accusation was filed with the Manila prosecutor who would decide after further investigations whether to ask a court to issue arrest warrants.

WORLD TRADE NEWS

Divisions remain as time runs out for textile talks

BY ANTHONY MORETON IN GENEVA

WIDE differences still remain among the 50 signatory countries of the Multi-Fibre Arrangement (MFA) before a new agreement can be sigoed in Geneva. The arrangement expires at midnight this Thursday.

It is now clear that the EEC is closer to the demands of the low-cost producers than to the US, which continues to take a hard line on opening its large and affinent market any further.

All the participants, bowever, are agreed there will be another extension to the MFA. Even India and Brazil, which have long campaigned against its extension, bave come to accept this.

The EEC's draft text emphssises the need for creating greater flexibility. In particular it calls for more favourable treatment for smal l supplier countries such as Peru, for new entrants into markets and urges that these conntries sbould not face any special limitations on their trade with the EEC and the US.

It wants all signatories to commit thamselvea to opening markets and to taking stronger action against fraud, sucb as the casea wben goods are documented as coming from one country when they originate in another. This has been a particular problem in the past few years as unscrupulous exporters have tried to avade the quota limits on their countries' total exports or on their particular goods.

The EEC's Mr Jean-Pierre Leng, chief textile negotiator, said yesterday the Community had not committed itself formally to action against fibres not included in the present protocol.

The US proposals hinge on the inclusion of other fibres such as ramie, a linen-like substance, and silk, in the scope of the MFA. It claims large quantities of shirts, blouses and skirts made of ramie, in particular, are entering the country from China, Hong Kong and South Korea as a substitua for cotton.

The US also wants strong action to prevent audden surges of imports of a particular item or fibre.

The EEC is anxious to include some concession to cotton and wool prodncers, believing this would help the poorer producers particularly those in Africa.

It is also against imposing restraints on the exports of the least-developed countries.

Tba MFA, which governs a large part of world trade in textiles and clothing, was set up under tha segis of Gatt (the General Agreement on Tariffs and Trade) in 1974 to regulate the flow of goods into the West. The egreement was subsequently renewed in 1978 and 1982.

US-Japan chip talks 'could end this week'

By Carla Rapoport in Tokyo

THE long-running US-Japanese semiconductor talks can be completed this week despite recent setbacks, trade officials in Tokyo believe.

"Progress this week is going better than last week," said an official of Japan's Ministry for International Trade and Industry (Miti) yesterday. But industry officials say the big Japanese chipmakers, most of whom would be obliged to sign the final agreement on export price monitoring, are now increasing their opposition to the proposed settlement. They say the US is now pushing fnr the agreement to cover any export deals struck over the last month.

The Japanese expected the agreement to cover future contracts only, and Japanese companies are understood to have been selling long-term, expnrt contracts at attractive prices to their US customers in advance of the chips settlements.

The two sides had hoped to complete the semiconductor trade talks last Saturday, but the deadline was extended until tomorrow. Japanese industry executives in Tokyo yesterday said, however, that the likelihood of an agreement had been reduced by recent allegations from US chip makers of further dumping of memory chips by Japanese makers.

Boost in exports to W Europe

By Ian Rodger in Tokyo

EXPORTS TO Western Europe from Japan's 13 leading trading companies rose 57.2 per cent in June, according tn the Japan Foreign Trade Council.

The figure adds weight tn recent complaints by the European Commission that Japanese companies have been shifting their export efforts from the US to Europe, where currencies have held up relatively well against the yen.

The 13 trading companies handla nearly a third of Japan's exports, so their results often provide an early indication of overall trends.

Their total new export contracts in June were Y972.1bn (£4.2bn)—28.5 per cent lower than in June 1985. Import contracts were dnwn a record 47.3 per cent to Y1,055.2bn, mainly because of lower oil prices. Vehicle exports were flat, but steel and ship exports dropped 33.2 per cent and 47 per cent respectively.

Preliminary export figures fnr June published yesterday by Japan's Ministry of International Trade and Industry were in line with the trading companies' experience.

Exports to western European countries reached $2.8bn in June, 66.3 per cent higher than in June 1985, while the value of exports to the US rose 34.8 per cent tn $6.9bn.

US aircraft maintenance review causes concern

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

US Federal Aviation Administration plans to review the maintenance rules for US-built aircraft overseas are causing considerable concern to foreign users of those aircraft.

Many airlines and maintenance organisstions based outside the US regularly overhanl and maintain US-built airliners, of which several thousand are in regular service throughout the world.

The business is worth several hillions of dollars a year.

The Association of European Airlines, representing most of the big European operators, says the FAA review "could limit the scope of work that can be performed by foreign airlines on US-registered aircraft outsida America.

"The association's airlines, particularly those in the Atlas and KSSU maintenance groups (which inclode several European airlines using US-built airliners) are very concerned that the new interpretation will restrict the type of work they have been performing for many years without criticism or apparent contravention of their FAA-approved licences."

Part 145 of the Federal Aviation Regulations (FAR), controls the use of foreign repair stations which are licensed by the US Federal Aviation Administration (FAA) to maintain or alter US-registered aircraft outside America.

The AEA's secretary-general, Mr Karl-Heinz Neumeister, says any change in the understanding of the regulation will have a severe impact "on AEA members with FAA-approved facilities."

Chinese to visit air show

BY OUR AEROSPACE CORRESPONDENT

A STRONG Chinese industrial team will attend the UK's Farnborough internationsl air sbow from August 31 to September 7.

Chinese aviation, electronics and precision machinery organisations are among those who beva indicated they will attend, the Society of British Aerospace Companies says.

This year's Farnborough will be the biggest inaternational air show yet held in the West, with more than 600 companies exhibiting and more than 30 new aircraft and variants of existing aircraft on display.

The Soviet Union will sbow its giant Antonov AN-124 Condor transport aircraft, and US companies will be back in force, with 78 attending, against 68 last year.

Among themes likely to dominate the sbow will be the prop-fan form of propulsion.

IBM moves up UK exporters' league table

BY CHRISTIAN TYLER, TRADE EDITOR

ONE OF today's largest and fastest-moving British exporters is not British at all, but American. IBM (UK) bas advanced from ninth to sixth position in tha FT Top 100 Exporters table in only three years.

An export sales increase of 35 per cent last year has established it alongside Ford Motor as a consistent guest contributor to the British balance of payments.

With a much more modest increase in exports last year, ICI has none the less edged back into second place in a first XV still dominated by the oil majors. Britoil, reporting for the first time, joins the team at number 14 and Mobil jumps to number 15 because of newly conolidated figures.

In the motor industry, Rover Group (formerly BL) and Jaguar Cars both performed well, with rises of 28 per cent and 23 per cent respectively. This would have put them above Ford if their results had still been combined. (Jaguar has dropped three places on a technicality. The footnotes explain.)

The star of the sector, however, was Bedford Commercial Vehicles with e 70 per cent increase from £57m to £97m — over 30 per cent of turnover — raising it from the bottom of the table. Peugeot Talbot, whose exports fell 30 per cent, to £77.7m, has dropped out entirely.

This year we inclnda an extra column, giving the numbers of UK employees. Companies in similar industries can make rough comparisons of their export sales per capita. Clearly there is no meaningful comparison between ratios for, say, the oil sector and machinery manufacturing.

The league table as a whole will always be prone to discrepancies because of different reporting systems and periods, but we believe this year'e to be the most complete we have produced.

Notable advances include NEI, the power plant contractor (number 38), up 15 places from its plunge in 1984 with an 85 per cent sales increase. In this fiercely competitive business, Babcock International (47) also moved ahead, but hoth Davy Corporation (59, with export sales down a qnarter) and John Brown (66, down 22 per cent), slipped.

The indefatigable JCB, a household nama for mechanical ditch-diggers, continued up the chart, reaching 67th place with a 37 per cent increase to £132m. Two years ago lt was et number 82. Rio Tinto-Zinc, now including its oil and gas exports, has climbed back to 49 after a fall in 1984.

More than respectable figures were recorded by Glaxo, De La Rue, Portals, Ingersoll Rand, Allied Lyons and Ferranti, even where they did not make a startling difference to their ranking.

Mergers and acquisitions changed the order in other cases. For instance, the dynamic industrial conglomerate BTR rose into the top 50, thanks to a 55 per cent export sales increase helped by its takeover of Dunlop. Similarly, the merger of Coats Patons and Vantona Viyella put the new group in at number 57 with exports of £157m.

There were some beavy falls among some of the best-known names. British Shipbuilders, which declared a £440m loss last week, bas gone from 19 to 46 in three years, while British Coal saw its export sales plummet from £224m to £96m last year and its ranking drop from 32 to 88.

Courtaulds lost ground, to 21st place from 17th in 1984. Even Unilever, whose export salea rose 4.5 per cent last year, was in 20th place, compared with 11th in 1982. Plessey, too, has gone from number 31 then to 69 now, on figures more than 20 per cent lower last year. Rank Xerox has gone from 16 to 39 in the same period.

Eight companies epart from Peugeot Talbot, have been relegated from the table: Lonrho, Burroughs, Fisons, Molins, Burmah Oil Trading, Borg-Warner, DRG, and Polaroid. They were not ousted by better performers: all the new entrants this year are well-known companies which did not supply figures for the last table.

THE TOP 100 EXPORTERS 1985

Ranking 1985	Ranking 1984	Company	Exports 1985 (£m)	% of UK t/o	Exports 1984 (£m)	% of UK t/o	Change % 84/85	UK Employees 1985 (No.)
1	1	BP	5,742	31.4	5,257	27.8	9.2	29,450
2	3	ICI	2,998	50.0	2,835	47.6	5.7	57,200
3	4	Shell UK	2,332	32.3	2,591	32.0	−10.0	15,558
4	2	Esso UK	2,282.8	52.0	3,216.3	60.0	−29.0	5,803
5	5	British Aerospace	1,623.3	61.3	1,564	63.4	3.8	75,800
6	7	IBM	1,582	52.0	1,175	50.0	34.6	18,798
7	6	GEC	1,236	34.0	1,209	35.9	2.2	127,460
8	8	Ford UK	1,035	26.2	980	26.7	5.6	51,200
9	9	British Steel	936	26.7	887	23.7	5.5	54,200
10	11	Conoco	876	42.6	823	42.0	6.4	1,476
11	10	Rover Group	764	32.5	598	30.7	27.8	67,562
12	14	Rolls Royce	712	44.5	519	36.8	37.2	41,700
13	12	Texaco	701.7	28.9	686	28.5	2.3	2,987
14	(—)	Britoil	692	38.5	511	33.0	26.1	2,759
15	39	Mobil Oil	630	28.6	207	11.6	—	2,600
16	13	Jaguar Cars	503	79.4	408.5	79.0	23.1	10,440
17	15	Distillers	490	63.3	473	64.0	3.6	12,000
18	18	BAT Industries	424	25.2	407	17.3	4.2	25,389
19	16	Massey Ferguson	421.1	69.0	450.6	72.3	−6.5	11,867
20	19	Unilever	418	11.1	400	11.1	4.5	60,000
21	17	Courtaulds	384	28.2	442	32.2	−13.1	48,000
22	21	Johnson Matthey	375	51.9	354	54.2	5.9	5,179
23	22	Hawker Siddeley	336	21.0	336	21.0	0.0	26,100
24	20	STC	334	26.1	365	28.4	−8.5	34,300
25	27	Glaxo	332	59.3	261.8	57.3	26.8	13,463
26	23	Rothmans International	319	61.9	324	21.4	−1.5	5,260
27	(—)	Gulf Oil	315.6	55.1	282.8	56.5	11.6	753
28	25	Lucas	315	21.0	278	31.5	13.0	46,854
29	24	Racal Electronics	313.6	48.1	310	28.0	1.2	15,835
30	36	Kodak	307.8	53.4	261.9	50.9	17.5	7,921
31	29	Philips	292.9	24.6	239.6	22.9	22.2	21,994
32	(—)	Tenneco Europe	275.2	40.6	283.3	44.5	−2.9	9,766
33	31	BICC	275	23.3	231	22.2	19.0	46,419
34	26	Monsanto	268.3	65.3	264	66.2	1.6	1,740
35	34	Petrofina UK	259.9	23.5	217.5	17.9	19.5	1,633
36	41	Thorn EMI	247.1	12.3	203.3	11.8	21.5	69,034
37	33	INCO Europe	241.9	62.6	219.1	63.0	10.4	3,832
38	53	NEI	238	37.3	129	20.4	84.5	22,495
39	28	Rank Xerox	225	12.5	250	14.7	−10.0	8,000
40	39	Ciba-Geigy	224	37.8	207	36.5	8.2	7,066
41	37	Vickers	223.7	49.3	213	47.6	5.0	12,351
42	56	BTR	220	12.1	142.2	9.9	54.7	48,000
43	38	GKN	209	19.6	212	20.2	−1.4	27,200
44	46	Pearson	206	31.3	176	31.2	17.0	24,585
45	52	Beecham Group	193.1	22.7	154.9	21.2	24.7	15,700
46	30	British Shipbuilders	186.1	21.5	232.7	26.2	−20.0	40,785
47	51	Babcock International	185.8	61.3	160.7	57.9	15.6	13,774
48	41	Esso Chemicals	185	38.5	203.3	46.6	−9.0	1,300
49	66	Rio Tinto Zinc	181.4	13.0	116.1	2.0	56.2	28,000
50	57	De La Rue	178.3	71.7	141.9	52.2	25.7	6,506
51	47	English China Clays	175.1	30.6	165.2	35.5	6.0	12,473
52	54	Wellcome Foundation	173.7	60.7	143	59.0	21.5	6,516
53	55	London & Scots Marine Oil	170.4	71.7	142.3	68.9	19.7	136
54	50	Cummins Engine	168.6	67.1	161.2	71.5	4.6	4,642
55	61	British Alcan Aluminium	163.6	28.0	134	21.5	22.1	11,004
56	60	TI Group	160.5	28.1	134.6	24.6	19.2	22,000
57	80	Coats Viyella	157.2	14.9	87.6	8.2	79.5	45,500
58	(—)	Amoco UK	155.4	27.2	109.1	22.8	42.4	1,158
59	43	Davy	151.6	54.0	201	61.4	−24.6	6,000
60	62	Grand Metropolitan	150.8	4.7	132.5	4.4	13.8	95,200
61	(—)	A. H. Philpot & Sons	149	76.0	110.4	70.8	35.0	162
62	58	Caterpillar Tractor	147.5	86.1	137.2	88.4	7.5	1,806
63	69	Short Brothers	142	70.6	115	71.9	23.5	6,507
64	64	Seagram Distillers	140.5	48.3	131.8	44.1	6.6	1,966
65	70	Ferranti	138.1	37.2	112	36.7	23.3	19,117
66	44	John Brown	138	53.5	176.8	50.2	−21.9	5,894
67	75	J. C. Bamford	131.9	66.6	96.1	62.5	37.3	1,334
68	(—)	Pirelli UK	129.4	33.1	119.6	34.2	8.2	7,806
69	49	Plessey	128.8	11.7	163.3	16.7	−21.1	29,724
70	(—)	British Nuclear Fuels	127.6	23.4	90.5	19.7	41.0	16,000
71	63	Assoc. Octel	123.9	72.0	132.3	75.0	−6.3	2,409
72	68	IMI	123	30.5	115	23.0	7.0	14,524
73	59	Reed International	120	9.3	135	8.9	−11.1	24,400
73	86	Portals	120	50.8	78.3	55.1	53.3	4,148
75	85	Ingersoll Rand	118.7	70.7	79.6	60.9	49.1	3,285
76	72	Pilkington	116.4	25.2	106.3	22.5	9.5	16,700
77	78	Metal Box	116	19.6	89.3	15.4	29.9	18,662
78	(—)	Hewlett Packard	113.6	32.1	61.9	21.1	83.6	3,446
79	76	Simon Engineering	111.3	51.2	92	45.5	21.0	6,669
80	79	Lilly Industries	107.4	61.5	89.1	58.5	20.5	2,304
81	77	AE	105	38.2	91.7	47.3	14.5	14,500
82	74	May & Baker	104	34.9	101	36.2	3.0	2,339
83	73	Michelin Tyre	99.7	19.9	101.2	22.4	−1.5	12,531
84	83	Du Pont	99.6	27.7	83.2	27.6	19.7	2,058
85	(—)	Dowty	97.6	21.1	90.5	22.5	7.8	12,688
86	100	Bedford Commercial Vehicles	97.2	31.5	57.3	17.1	69.6	7,442
87	(—)	Baker Perkins	96.6	72.5	70.3	68.2	37.4	3,500
88	32	British Coal	96	4.8	224	4.8	−57.1	221,296
88	84	Smiths Industries	96	40.2	82	34.6	17.1	8,600
90	89	Allied Lyons	95.9	7.7	74.1	3.6	29.4	60,530
91	81	Cadbury Schweppes	93.9	9.4	87.4	4.3	7.4	18,522
92	82	Marks & Spencer	92.7	3.2	84	3.2	10.4	35,892
93	(—)	Gallaher	90.1	7.3	80.3	7.1	9.4	24,482
94	(—)	FBC	88.2	62.5	69	54.0	27.8	1,766
95	45	Royal Ordnance Factories	85	22.1	176.2	11.4	−51.8	17,500
96	87	Turner & Newall	84.6	26.9	77	29.0	9.9	9,300
97	65	Westland	84.3	35.5	116.9	66.6	−27.9	11,087
98	90	The 600 Group	80.6	46.1	75	45.0	7.5	3,026
99	88	Delta	80.1	18.7	75.2	17.9	6.5	12,100
100	91	Rowntree Mackintosh	79.8	16.5	71.1	15.1	12.2	17,700

NOTES—
Rank
2 ICI—exports [illegible], UK t/o includes [illegible] sales.
5 British Aerospace—employees year end figure, average number of employees was 75,645 in 1985.
11 Rover Group—formerly BL. 1984 exports adjusted to take into account privatisation of Jaguar Cars, £229m of exports, which were Jaguar's are deducted from 1984 total. UK t/o minus Jaguar for 1984 was £1,946m.
14 Britoil—did not supply figures last year.
15 Mobil Oil—supplied for the first time consolidated information for both marketing/refining and exploration/production companies.
16 Jaguar Cars—1984 export figures restated by the company. £525.3m were in fact overseas sales, 1985 overseas sales amounted to £616m.
17 Distillers—taken over by Guinness in March 1986. UK t/o figures minus duty. Guinness's exports in 1985 amounted to £70.5m.
[illegible]
22 Courtaulds—y/e 31.3.1986.
26 Rothmans Int'l—1984 UK t/o Group t/o.
27 Gulf Oil—did not supply figures last year in time.
30 Kodak—1984 exports printing error.
32 Tenneco Europe—subsidiaries J. I. Case and Albright & Wilson (ranked 48 and 67 with £163.5m and £115.2m respectively last year) Tenneco Europe now supplies figures for all its subsidiaries. Tenneco UK (oil exploration & development) reports sales of £54.4m, but it is impossible to determine how much of this is exported. Tenneco's figures, therefore, exclude oil.
33 BICC—group employment figures.
38 NEI—1984 export figure restated by the company.
42 BTR—includes Dunlop's figures from April 1985 only.
46 British Shipbuilders—employees at 31.3.1985.
49 Rio Tinto Zinc—exports include oil & gas. Value [illegible].
56 TI Group—exports include intra TI group sales, UK t/o external to TI Group.
57 Coats Viyella—1984 figures are for Coats Patons; 1985 are for merged group (Coats Patons y/e 31.12.1985 and of Vantona Viyella y/e 30.11.1985).
58 Amoco UK—did not supply figures last year.
59 Davy—1984 % of UK t/o restated by the company. Figure used in 1984 was group t/o.
60 Grand Metropolitan—include turnover of the service activities.
61 A. H. Philpot & Sons—did not supply figures last year. Farming & Agricultural Products.
64 Seagram Distillers—y/e 31.1.1986.
68 Pirelli UK—did not supply figures last year.
70 British Nuclear Fuels—did not supply figures last year.
[illegible]
85 Dowty—ranked 35 last year. £217.3m supplied by the company in 1985 was in fact figure for the overseas turnover. Figures now exclude overseas t/o.
87 Baker Perkins—did not supply figures last year. In the y/e 31.3.1986 exports were £125.4m, % of UK t/o 76.0% % change 84/85 29.8%, UK employees, 3,683.
88 British Coal—formerly NCB.
90 Allied Lyons—60,530 UK employees divide into 35,177 full time and 25,353 part time. For the y/e 1.3.1986 exports were [illegible], % of UK t/o [illegible], 84/85 change [illegible], UK employees 59,267 (23,449 full time and 35,818 part time).
93 Gallaher—did not supply figures last year. UK t/o net of duties.
94 FBC—did not supply figures last year.

Research By Jan Schilling, Editorial Research.

AMERICAN NEWS

Sarney and Alfonsin to sign trade pact

BY TIM COONE IN BUENOS AIRES

A TRADE AGREEMENT with potentially far-reaching economic and political implications is due to be signed today between Argentina and Brazil during a three-day official visit by Mr Jose Sarney, the Brazilian President, to Buenos Aires.

Accompanied by an entourage of balf a dozen ministers, their advisers, and several hundred leading Brazilian businessmen and journalists, President Sarney is being given a state welcome in a visit whicb is being acclaimed as representiog an historical shift in international economic and political relations between the two countries.

The first of the 10 protocols to be signed today hy President Sarney and President Raul Alfonsin will eliminate customs tariffs aed barriers to trade in capital goods, between the two countries, and erect a common customs barrier to imports from third countries.

Other protocols establish mechanisms to eosure balanced bilateral trade by cresting two funds for investment and finance, with a joint value of $300m (£204m), to expand production in either country whicb experiences a trade deficit in capital goods. Specialised economic research institutes are to be financed in both countries to monitor the progress of the integration project.

Ooe agreement commits Brazil to purchase larger volumes of grain from Argentina, reaching 2m tonoes annually in 1991. Another facilitates bilateral trade in foodstuffs to avoid seasooal shortages in both countries. Co-operation in energy development is also to be studied.

According to Mr Jorge Romero, the Argentinian Vice Minister of International Economic Relations and ona of the principal negotiators of tha agreements, the customs union will later be expanded to cover a much wider area of trade in goods and services. "What we are creating this week is the embryo of a Common Market in South America," he said.

By embarking on a gradual course of integration and concentrating first on capital goods, he believes that the plan standa a greater chance of success where previous efforts have failed: "The plan is audacious in its conception and will be cautious in its implamentation," be said. "But the formation of a common market in South America is now not only a need, it is e necessity to give our nations e greater capacity to negotiate on equal terms with the economic and political power blocs which hava developed in North America and Europe."

Intense discussions are now to be beld over the coming months, with Argentinian and Brazilian businessmen to define the precise areas of capital goods which will be initially included in the customs union. Bilateral trade in capital goods is expected to increase to $750m a year by 1990 from $200m.

Mr Alfonsin: move towards creating common market

Cuba halts short-term debt payments

CUBA has suspended payments on its short-term commercial debt to Western countries because of an acute shortage of foreign exchange, Reuter reports from Havana.

The move follows Cuba's suspension of al l payments on its medium and long term financial debt with effect from July 1. Cuba reportedly stopped nearly all its short-term commercial debt payments about a week ago.

Cuba has already reached an agreement in principle with the Paris Club of Western creditors to reschedule its government-to-government debts which fall due this year. It is due to hold a second round of talks with a steering committee of commercial banks led by Credit Lyonnais in Paris in mid-August.

Cuba has rescheduled its $3.5bn foreign debt three times since it first encountered payments difficulties in 1982. But this year for the first time it is seeking $300m of new money to underpin the refinancing package.

President Fidel Castro stressed Cuba's increasing difficulties in obtaining vital imports from the West in a speech at the weekend. The combined effect of a poor 1985-86 sugar harvest, reduced revenue from re-export of Soviet oil and the revaluation of most Western currencies against tha dollar would cost Cuba $600m in lost income this year, he said.

Parish council polls in Jamaica assume national significance

BY CANUTE JAMES IN KINGSTON

MR EDWARD SEAGA, the Prime Minister of Jamaica, faces a tough political test in local government elections today. Although the elections concern municipalities, both Mr Seagas'a conservative Jamaica Labour Party, and the Social Democrat Peoples National Party, led by Mr Michael Manley, a former Prime Minister, are arguing over wider national issues, mainly the Government's handling of the economy over the past six years.

The elections have been given added importance as they will represant the first serious electoral contest in this island of 2.3m people since a general election in 1980 in which the JLP scored a handsome win to end eight years of PNP administration.

A snep general election called hy Mr Seaga in 1983 was not contested by the PNP, because Mr Manley claimed the Prime Minister had hreached an undertaking to delay all elections until a reform of the electoral system bed been completed.

Mr Manley says the PNP intends to treat today'e elections as e referendum on Mr Seaga's edministration. Mr Seaga denies that the contest over parish councils can be regarded as a referendum, but the ruling party's defence of its performance over the past six years, and refutations of the PNP's attacks, indicate the Prime Minister's concern about the outcome.

The Government, Mr Seaga claims, has ereated 80,000 jobs in the past five years against 30,000 in the last five years of the previous PNP government. Jamaica is attracting over 100 new industries each year, against nina per year under the Manley administration, Mr Seaga says.

The government also claims it has reduced food prices and electricity bills, reformed the taxation system to exempt 150,000 workers from paying income taxes, and established a food stamp programme to help the poor.

The PNP'a campaign is based on criticising the Government's handling of the economy, in particular the effects of widespread deregulation and the devaluation of the Jamaican dollar. Mr Manley says the Government has caused general confusion by strategy such as a squeeze on credit, and has presided over the deterioration of social services such as health and education.

"All of this must be seen in the context of the terrible deterioration in living standards that has been the result of economic policies," Mr Manley says.

Mr Manley says a victory for the PNP would boost its campaign to press Mr Seaga to hold a general election well before one is constitutionally due in early 1988.

Mr Seaga says an early election is not in prospect.

Decline in growth of US wages reported

THE US Labor Department said wage rises negotiated in major collective bargaining agreements during the first six months of 1986 averaged only 1.2 per cent in the first year and 1.9 per cent annually over the life of the contract, Reuter reports from Washington.

That compared with wage rises of 2.5 per cent in the first year and 3.1 per cent aonually when the same groups last bargained.

Settlements reached during the first half this year covered 972,000 workers under 261 agreements.

Reagan nominee faces probe

BY NANCY DUNNE IN WASHINGTON

MR Wiliam Rehnquist, president Ronald Reagan's nominee to hecome the 16th chief justice of the US, will face tough questiooing about his racial views in his nomination hearings hefore the senste jndiciary committee starting today.

Although legal ohservers and politicians in both parties expect Mr Rehnquist to win confirmation, Senate democrats have become increasingly upset about the President's hard-line coosarvative judicial appointees, who will serve for life. They came within ooe vote of defeating one appointment last week of an Appeals Court judge whose competence was held to be in serious doubt, and with enough ammunition they may try to challenge Mr Rehnquist.

Yesterdsy it was announced that the FBI was investigating allegation that Mr Rehnquist was involved in harassing and intimidating black voters in the early 1960s. An aide to Democratic Senator Howard Metzenbaum of Ohio, one of those who requested the investigation, aaid that as many as a dozen people may have information concerning the chargea.

More than 30 witoesses have requested permission to testify egainst the nominee, and committee Democats will question him about testimony that in the 1950s Mr Rehnquist strongly defended the separate-but-equal racial doctrine, which was declared unconsititotional by tha Supreme Court in 1954.

Several documents have come to light in which Mr Rehnquist argued in support of the separate-but-equal doctrine. Ona said that it was "about time the court faced the fact that white people in the south don't like coloured people," another said there were too many liberal clerks in the court engaged in a "pathological search for discrimination."

The appointmant of judge Antonin Scalia, also a conservative, to fill Mr Rehnquist'a seet as a justice on the court, is not expected to provoke much opposition. Tha two appointments could conceivably shift tha court's ideological direction to the right for years to come.

US film and TV actors vote for strike

Members of two major US actors' unions heve voted by an overwhelming majority to authorise a strike that could stop film prodnction and delay the new television season, Reuter reports from Los Angeles.

About 87 per cent of tha 30,493 members who returned their ballots authorised their negotiators to call a strike if they remain unsatisfied with proposals made by the producers.

The unions are seeking a 22 per cent wage increase over three years, and higher residual payments for cable television, videocassette sales and reruns.

UK NEWS

Foreign-owned groups 'urged to shun unions'

BY PHILIP BASSETT, LABOUR EDITOR

THE GOVERNMENT is covertly encouraging foreign companies setting up in the UK not to recognise British trade unions, according to the EETPU electricians' union.

The union's accusation is made in its evidence to the House of Commons employment select committee's study of the industrial relations practices of foreign-owned companies operating in the UK.

In its 49-page submission to the committee, the EETPU goes into detail in two specific cases where it tried without success to win recognition – the Japanese-owned NEC Semiconductors at Livingston, in Scotland, and J2T Video of Newhaven, on the south coast of England, jointly owned by Thorn EMI Ferguson of the UK, Telefunken of West Germany and JVC of Japan.

The union argues that cases such as those substantiate its claims in its evidence that some foreign-owned companies moving into the UK are being allowed to "escape their moral obligations" in relation to trade unionism, and that the Government is assisting them in that.

The union says: "In order to appease some of these companies, we believe that government departments are covertly encouraging incoming businesses to ignore trade-union calls for representation rights where there is substantial membership density."

That stance "is contributing to the growing epidemic of non- and anti-trade union attitudes becoming particularly prevalent among our growth high-technology industries."

The union, arguing that the EETPU is in "the forefront of industrial relations reform in Britain today – and no field more so than in its relations with foreign companies" by such features as its strike-free agreements, forecasts a "firm future" for unions in the growth manufacturing sectors.

The union asks the committee to be allowed to give oral evidence to it on the subject. Its request, taken with the fact it has submitted evidence at all, is likely to irritate the Trades Union Congress (TUC), which believes that it, rather than individual unions, normally presents the union case to parliamentary committees.

The EETPU has signed another strike-free deal with a Japanese-owned, UK-based company with which it has a single-union agreement.

The deal, with Yuasa Battery, based in Ebbw Vale, South Wales, is unique among the EETPU's strike-free deals in that pendulum arbitration, the strike-substitute mechanism at the heart of the agreements, will be accessible unilaterally at Yuasa, by either the company or the employees. In most such agreements, joint reference is stipulated.

The strike-free deal was approved in a ballot by all but three of the company's 82 workers who voted.

Palace in move to calm row over 'rift'

By Michael Cassell

BUCKINGHAM Palace and the Prime Minister's office were last night hoping that the unusual intervention of Sir William Heseltine, the Queen's private secretary, in the continuing controversy surrounding relationships between the monarch and Mrs Thatcher will help to smooth over the embarrassing affair.

In a letter to The Times, Sir William claimed that suggestions that the Queen would, after 34 years of unvarying adherence to constitutional principles, suddenly depart from them in order to criticise the Prime Minister were "preposterous."

He said it was equally preposterous to suggest that any member of the Queen's household, even supposing they knew what Her Majesty's opinions on government policy might be – "and the press secretary certainly does not" – would disclose them to the press.

The Sunday Times claimed that the Queen was concerned over the threat to the Commonwealth posed by Mrs Thatcher's opposition to South African sanctions. It also suggested that the sovereign disliked *the divisiveness* of the Prime Minister's domestic policies, as reflected in her attitude to the miners' strike and growing unemployment.

Sir William confirmed that the source of the information on which the controversial Sunday Times articles were based was Mr Michael Shea, the Queen's press secretary, but claimed that Mr Shea "said nothing which *could* reasonably bear the interpretation put upon it by the newspaper."

He said the claim that the unnamed sources were within the palace at the highest level constituted a totally unjustified slur on the impartiality and discretion of senior members of the royal household.

Downing Street, which has refused to be drawn into discussing the alleged differences between the Queen and Mrs Thatcher, offered no comment on Sir William's move, emphasising that it was solely a matter for the palace. Even so, Mrs Thatcher's office hopes that the issue, which is said to have deeply upset the Prime Minister and caused immense embarrassment at the palace, will now be dropped.

Most attention yesterday centred on the position of Mr Shea, who spent the day at the Queen's side during her visit to the Commonwealth Games in Edinburgh. On his way to Edinburgh, he told reporters that he had not been asked to resign.

A call for Mr Shea to step down came from Sir Anthony Kershaw, MP for Stroud, who said that the Queen's press secretary should accept responsibility for what had happened.

Rail funds start £4.5bn reshuffle

BY BARRY RILEY

SOME OF Britain's biggest contracts for investment management are likely to be *offered this week* to a few top City of London banks and management companies in an unprecedented £4.5bn investment reshuffle.

Trustees of the British Rail Superannuation Fund and Wages Grade Fund are expected to select about five managers to look after the funds' securities portfolios. Those do not include approximately £500m of property investments, which are being managed separately.

The decisions, which will determine the future management of Britain's fifth largest pension fund, follow a fiercely competitive selection process. An initial list of some 25 contenders was whittled down to 10, under the guidance of the funds' advisers, consulting actuaries R. Watson & Sons.

A final "beauty parade" of the shortlisted candidates was held last weekend. *Now, about half of them* are to be asked to submit detailed terms as the basis for drawing up management contracts.

The restructuring of the portfolio management arrangements is the consequence of increasing difficulties encountered by the trustees in sustaining the British Railways Board (BRB) investment department's own capability. With pay levels for skilled investment managers rising fast, it has proved impossible, within the British Rail salary structure, to pay enough to pay enough to recruit and retain experienced professionals.

Last year the drastic decision was taken to disband the department and replace *it* by new external managers, together with a small central monitoring and control unit.

Two external advisers were already in place. Warburg Investment Management has been advising the Wages Grade Fund, and Hill Samuel Investment Management the Superannuation Fund, in each case in collaboration with the BRB department.

Those two management companies were asked to re-present their capabilities, and were among the 10 on the short list.

Performance appears to have been close to average in recent years. The New Section of the Superannuation Fund achieved a return of 15.5 per cent in 1985, against 15.2 per cent estimated by Phillips & Drew Fund Management as the average return for a private pension fund.

Past investment performance *does not appear to have* been a significant factor in the final choice of managers during the past week. The trustees insist that investment policy and direction will continue to be their responsibility, and the emphasis in selecting managers has been on their administrative capacity to handle large sums, and their ability to allocate expert staff to the British Rail account.

City investment houses are intrigued about the level of fees to be quoted by the selected investment managers. Although most houses quote on the basis of fee scales for portfolios of up to about £100m, with charges falling as low as 0.05 per cent at the top end, there are no precedents for charges on £1bn portfolios.

The next task will be to reshuffle the funds' assets among the new managers. The aim will be to reallocate securities to managers who are *comfortable* with them, rather than to engage in massive acquisitions and disposals that would involve heavy costs

Thatcher to have operation on hand

THE PRIME Minister will go into hospital next week, hours after the end of the Commonwealth mini-summit in London, for an operation on her right hand. **Michael Cassell** writes.

Mrs Thatcher is suffering from Dupuytren's disease contracture, a progressive contraction of the tissue lying beneath the skin of the palm of the hand. If left untreated, the condition, which she is thought to have had for about 10 years, might eventually cause deformity and loss of function in the *hand*.

Downing Street, which made the announcement, was anxious to emphasise that the complaint is fairly common and that the Prime Minister, who will go into an unidentified private clinic next Tuesday evening, is expected to leave by the weekend. The operation, which should provide a complete cure, has been timed to coincide with the summer parliamentary recess, allowing Mrs Thatcher time to recuperate fully.

□ ANGLIAN WATER has been forced to abandon its radical plan to build Britain's first fully privatised sewage works. Anglian, one of the most innovative and efficient of the 10 water authorities in *England* and Wales, had intended that private contractors should design, finance and operate the £20m works at Peterborough, Cambridgeshire. But the board of Anglian *Water* has now been told that the scheme cannot go ahead as proposed because of the complexity of the financial arrangements. The board will now finance the construction itself.

□ MOUNTING mortgage arrears led to a 54 cent increase last year in the number of properties taken into possession by building societies, according to *industry figures*. In its 1986 Fact Book, the Building Societies Association estimates that bad debts forced its member societies to *take possession of a record* 16,770 properties in 1985, up from 10,870 the previous year and nearly four times the 1981 figure of 4,240.

□ THE STEEP fall in North Atlantic passenger travel this summer continued in June, with the result that Heathrow handled only 2.71m passengers that month, or 7.9 per *cent less than in the same month* last year. Against that, Gatwick, primarily the centre for short-haul European holiday charter passengers, handled 7.3 per cent more passengers, at over 1.7m, while Stansted in Essex handled 9.1 per cent more at 65,200 passengers.

□ A RECORD number of British Rail passengers complained about rail services last year. According to the annual report of the Central Transport Consultative Committee, the rail watchdog body, the average level of complaints increased by 39 per cent, but those specifically about fares rose by 103 per cent and those about timekeeping by 60 per cent. The report, to be published on August 4, comes as a big embarrassment to British Rail, which last week announced a record improvement in its financial performance.

□ RADIOACTIVE swarf peeled from spent nuclear fuel elements at the Sellafield factory of British Nuclear Fuels in north-west England overheated and raised airborne radioactivity levels above normal on Saturday night, the company said. The fuel decanning plant, where Magnox (magnesium alloy) cladding is stripped from the uranium fuel, was evacuated and the overheating swarf cooled with water. "There is no evidence of anyone being contaminated by this event and operations returned to normal in a few hours." BNFL said.

□ NUCLEAR contamination from the Chernobyl disaster has been discovered in the air-conditioning filters at Liverpool's Ford car factory. Tha company emphasised that there had been no health hazard.

□ MINISTRY OF DEFENCE is soon to start advertising in a new fortnightly magazine the *full* range of the £8.5bn worth of equipment contracts it places each year with industry, as a further move to promote competition and value for money in defence procurement.

□ THOUSANDS of pensioners demonstrated outside Downing Street against the new 40p increase in the state pension – a rise they described as "a bloody insult."

Jenkin will be seventh former Cabinet member to stand down

BY PETER RIDDELL, POLITICAL EDITOR

MR PATRICK Jenkin last night became the seventh former member of Mrs Thatcher's Cabinet to announce that he would not be standing again for Parliament at the next *general election*.

He plans to concentrate on a business career. He recently joined the board of Friends Provident Life Office, which owns UK Provident Institution, and will take over as chairman within the next two years.

Mr Jenkin, who will be 60 in September, last night told his local Conservative *Association* in Wanstead and Woodford, in East London, of his decision. He said that when he left the Government last September it was clear that he was not likely to hold high office again and he would now like to spend some years working in the private sector and in business.

He has held the safe Tory seat *since 1964, having taken over from* Sir Winston Churchill, who had represented the constituency for 40 years.

Mr Jenkin held office in Mr Edward Heath's administration in the early 1970s as a Treasury minister and, between 1979 and 1985, as Secretary of State for, successively, Health and Social Security, Industry, *and* Environment.

Having been closely involved in many of the key privatisation decisions at the Department of Industry, he ran into considerable political criticism over plans he inherited for *local government reform*, notably the abolition of the Greater London Council and the metropolitan counties.

Before entering Parliament in 1964, Mr Jenkin was a middle manager on the industrial side of Distillers.

Apart from board membership of Friends Provident, Mr Jenkin is also an adviser to management consultants Arthur Anderson and is on the board of National Economic Research Associates.

He is the chairman of the British side of the UK/Japan 2000 group, a high-level body of businessmen and politicians that meets each year.

Men and Matters, Page 14

Investment bank for Pru-Bache

By Clive Wolman

PRUDENTIAL-BACHE Securities, a subsidiary of the huge Prudential Insurance Company of America, is to set up an investment and merchant banking operation in London.

The bank, which will form part of Prudential-Bache's global banking services, is to be headed by Mr John MacArthur, whose recruitment from Kleinwort Benson, the British merchant bank, was announced yesterday.

Prudential-Bache has allocated more than £100m ($150m) to the development of a financial services base in the UK, where it now has 500 staff. In the last 12 months it has achieved a large share of the currency swaps and Eurobond issuing markets.

Since 1984, it has also built up a London stockbroking firm, PB Securities, Down, deBoer & Duckett, and acquired a discount house, Clive Discount Company.

The new merchant bank will comprise these two operations and a primary dealership in UK government securities, an equity trading arm, a London Stock Exchange money broking firm and a corporate finance and commercial banking section.

Mr George Ball, chief executive of Prudential-Bache, said he expected the appointment of Mr MacArthur, who was deputy head of Kleinwort Benson's corporate finance department until January, to make it easier to attract other leading corporate financiers to the company. The aim of Prudential-Bache, he said, was to build up a wider range of global corporate finance and investment services to offer corporate clients than any other US or UK institution.

Mr Ball was critical of some of the attempts of his US competitors to break into the UK market. "Companies here want bankers that *identify with them and not opportunists* that step off the Concorde for a few hours and then fly away," he said. "We are following a slow and steady course with no flashy acquisitions."

Mr MacArthur said his priority would be to establish departments covering mergers and acquisitions and the raising of debt and equity capital.

Deal would give most teachers £750 rise

BY DAVID BRINDLE, LABOUR CORRESPONDENT

MOST Teachers in England and Wales would receive a £750 pay rise next January, giving them an overall 14 per cent increase in 1986-87, under a radical salary and employment contract deal designed to bring a lasting end to disruption of schools.

Last night, as a fourth day of negotiations continued at a Coventry hotel, agreement to the deal was being held up only by a single outstanding question on working hours.

The deal would increase the pay bill for 410,000 teachers, who received a 5.7 per cent rise from April, by 10-12 per cent in the first full year of five-year phased implementation. The employers and the teaching unions would jointly seek Government funding.

Set against the cumulative £1.25bn previously offered over four years by ministers, the overall cost of the deal would be a cumulative £2.9bn over five years.

At the weekend, the Education Department had issued a stern warning against high expectations of funding. Yesterday, however, the department was notably silent, raising hopes at the talks that the broad parameters of the arrangement, as outlined to ministers by Telex, were proving acceptable.

The deal would create a new main salary scale for teachers, ranging from £9,600 to £14,500. Every classroom teacher, excluding heads and deputies, would receive a minimum £750 extra between January 1 and March 31 next year, either through assimilation to the scale or by lump-sum payment.

Token strike sought over South Africa

By Our Labour Editor

THE TUC (Trades Union Congress) should stage a "symbolic" one-hour general strike throughout the UK as the first part of a programme of industrial action against South Africa, a leading trade unionist said last night.

Mr Bill Morris, deputy general secretary of the Transport and General Workers' Union, called on trade-union members to impose "people's sanctions" against South Africa, including industrial action.

The TGWU, whose general secretary, Mr Ron Todd, last week returned from South Africa, pointedly said that Mr Morris's speech went beyond the TUC's recently codified South African action programme, and would be central to further UK trade-union discussion of anti-apartheid measures. The TUC focuses mainly on union campaigning rather than direct action.

But in a speech to Southwark Trades Council in London, Mr Morris, while welcoming the TUC's statement, said: "Working people must go beyond what the TUC can legally call for."

He said the TUC should arrange a symbolic one-hour general stoppage of work as "a warning shot across Botha's bows" and called on trade unionists to take "direct action" against South African companies and goods during the Commonwealth Summit.

Mr Morris said that because of its hostility to effective steps against apartheid, the UK Government no longer represented the great majority of British people.

He said: "Nothing shows that better than the disgusting spectacle of government ministers claiming that effective action against apartheid will hurt black people – as if it were not black people themselves demanding such international support for their liberation struggle."

The TUC, whose general secretary, Mr Norman Willis, accompanied Mr Todd on the South African trip, declined to comment on Mr Morris's call.

Overseas directors appointed by Glaxo

BY TONY JACKSON

GLAXO has appointed its first two main board directors from overseas. They are Mr Joseph Ruvane, head of the group's US subsidiary, and Dr. Mario Fertonani, head of Glaxo SpA in Italy.

Mr Paul Girolami, Glaxo's chairman, said: "This is a new feature for us, and I do not think it will stop there. We have nothing planned, but I do not exclude another one or even two directors being appointed from overseas."

The appointments were a confirmation of the increasingly international character of the group, Mr Girolami said. The US market is now Glaxo's biggest, and the Italian subsidiary is the group's biggest overseas subsidiary outside the US.

Mr Girolami said Glaxo was also considering appointing non-executive directors from outside the UK. "To have an American view of the world for instance, at a non-executive level, would not be a bad thing," he said. "ICI have done it, and I think they were right. We shall probably do it too."

Both the new directors are to have their responsibilities extended. Mr Ruvane is to take charge of Glaxo's businesses in Central and South America. Dr Fertonani, presently in charge of Spain and southern Europe as well as Italy, is also to be responsible for the Middle East, North and East Africa and Eastern Europe.

ICI's first US director, Page 8

Anglo-Irish talks resume

BY MICHAEL CASSELL

MR TOM KING, the Northern Ireland Secretary, and Mr Peter Barry, the Irish Foreign Minister, are to meet today in an attempt to heal the recent rift in the relationship between London and Dublin.

The meeting, the venue for which *is not being disclosed*, was fixed last week in an effort to enable both sides to overcome the difficulties arising from Mr Barry's criticism this month for policing policies in the province.

The session is also expected to consider the continuing problems of cross-border security

Mineral waters fastest growing sector of non-alcoholic drinks

BY LISA WOOD

MINERAL waters are the fastest growing sector of the non-alcoholic drinks market in the UK, according to a survey published by Market Direction, a subsidiary of Euromonitor, the market research organisation.

Individual consumption in Britain remains far behind that in other important markets examined in the report, such as West Germany, France and Italy, however.

Sales in the UK have risen from a *total of 20m litres in 1979*, Market Direction said, to 75m litres in 1985, representing a market value of £53m. Various factors have contributed to that increase, including health consciousness, increased advertising support, anti-drunk-driving laws and the "freshness" of tap water. "However," Market Direction said, "compared to other sectors of the soft drinks market, the mineral water sector is very small. Per capita consumption is only 1.3 litres and mineral waters account for just over 1.7 per cent of the total UK soft-drinks market in value terms."

MINERAL WATER

Per capita consumption 1984 (litres)

West Germany	51.5
France	47.6
Italy	48.1
US	17.0
UK	1.3
Japan	0.8

Volume growth in the UK is estimated at an average of 14 per cent in both 1984 and 1985. A similar increase is forecast up to 1990, taking UK per capita consumption levels nearer those of the US but still a long way behind most of the rest of Europe.

The report highlights the aggressive marketing of mineral waters, which include Perrier, Evian, Spa and San Pellegrino. "Market growth," Market Direction said, "has been led by those firms which have successfully marketed their products on an international level."

The big new development has been the introduction of citrus-flavoured varieties of water. "These now come into direct competition with soft drinks, especially the low-calorie varieties introduced successfully since 1979." In that sector, however, leading soft-drinks manufacturers such as Coca-Cola and PepsiCo have countered by introducing 10 per cent fruit juice-added soft drinks.

The report, which examines the five chief markets – France, West Germany, Italy, the US, UK and Japan – forecasts continued growth in the sector but a retrenchment in the more mature markets such as France, Italy and West Germany.

Mineral Water, price £650, from Market Direction, 87-88 Turnmill Street, London EC1M5QU.

TSB forms cash machine link with Midland and NatWest

BY NICK BUNKER

TSB GROUP, the new company uniting the UK's four Trustee Savings Banks, plans to spend an estimated £4.6m on linking its cash dispensers to the Midland and National Westminster Banks' joint automated teller machine (ATM) network.

Under heads of agreement announced by the three banks yesterday, the new shared cash-dispenser system is intended to come into operation in early 1988. It will give each bank's customers access to cash from more than 4,000 shared machines, in what they claim will be the biggest of the UK's four shared ATM networks.

TSB Group technical staff are to devise and build a new system allowing its nine-year-old Speedbank ATMs to communicate with the Midland and NatWest network.

It will be known as Cigar (Common Interface Group Added-Value Relay) and is expected to begin trials next summer.

The TSB said yesterday that Cigar was intended to be a versatile system that could allow the bank to develop an Electronic Transfer at Point of Sale (Eftpos) operation allowing for direct debiting of customers' accounts in retail stores.

The TSB is also to expand its Speedbank outlets from 1,300 machines to 1,900 machines by the end of next year. Speedbank already links up cash dispensers run by the four TSB banks in England and Wales, Scotland, Northern Ireland and the Channel Islands.

Expenditure by Midland and NatWest on the new cash dispenser link is expected to be minimal. Midland and NatWest have been sharing ATMs since June 1983.

Yesterday's announcement comes as Barclays Bank, Lloyds Bank, Royal Bank of Scotland and the Bank of Scotland are putting finishing touches to their own shared ATM system, which has been in development for three years and is now expected to go live this October.

Two groups of UK building societies have already begun operating two separate shared cash-dispenser systems, Link and Matrix.

Netherlands oil 'attractive'

By Lucy Kellaway

THE SINKING oil price of the last few months has increased the attractions to cost-sensitive oil companies of drilling for oil in the Netherlands and Paris relative to other countries in North-west Europe.

That is one of the conclusions reached by Wood Mackenzie, the Edinburgh-based strockbroker, in a report launching a new research publication, the North West Europe Service.

In France and the Netherlands, it argues, small discoveries can be economic even at low oil prices: the tax regime is relatively light and the chances of finding oil are *good*. The report gives lowest marks to Ireland, where the chances of a commercial find are low and the tax regime discouraging. It gives the most likely area for a big discovery as Norway.

The Wood Mackenzie service contains a database covering all fields *in Norway, France, Ireland*, the Netherlands and Denmark.

DBS operators offered 24-hour news service

BY RAYMOND SNODDY

INDEPENDENT TELEVISION News (ITN) has offered a 24 hours news channel to potential operators of Britain's three-channel direct broadcasting by satellite (DBS) project.

ITN estimates that it would cost £20m a year to provide a round-the-clock channel of news, sport and current affairs for satellite broadcasting.

"We have sent our proposal to all the serious potential DBS applicants and had discussions with several of them," Mr Dan Moloney, ITN's director of business affairs, said yesterday.

ITN believes that if DBS adds three new national channels of television to the existing four terrestrial channels, scope should exist for a live channel of news and current affairs.

The Independent Broadcasting Authority (IBA) has advertised a three-channel DBS franchise for new programmes to be broadcast from a high-power satellite to dish aerials on individual homes.

Applications for the franchise have to be in by the end of next month and the IBA decision is expected before the end of this year. A British DBS service could begin in late 1989 or early 1990.

At the moment, ITN is offering its services as a programme provider to DBS applicants. But the organisation, a subsidiary of the ITV companies, is looking at the possibility of funding its own satellite news channel if necessary.

Deloitte Haskins & Sells, the consultants, are looking at the feasibility of a stand-alone operation for ITN. ITN points out that Mr Ted Turner's 24-hours-a-day cable News Network in the US is now available to 35m households. ITN proposes a variety of live material from around the world, but would hope by the time DBS is launched to be able to cover debates live in the House of Commons.

Scrap metal profits hit

By Nick Garnett

THE UK's scrap-metal processing companies are suffering a serious erosion of profitability after a steep drop in world prices for scrap.

The British Scrap Federation said yesterday that existing trends of rationalisation, in which larger companies have absorbed smaller processors, would be accelerated.

The federation's 400 member companies handled nine tenths of the 10m tonnes of scrap reprocessed in the UK last year. Those companies are fed by up to 10,000 scrap merchants and the industry employs about 90,000 people, including casual labour.

The price of scrap in the UK, which in the world market is priced in US dollars, shot up between 1983 and 1985 up to £84 a tonne. It has now fallen to £37.50 a tonne, the same level as in mid-1983.

Mr Pat Neeson, the federation's president, said exports of scrap from the UK in the first half of the year were down by 20 per cent over the previous year.

Overseas aid only marginally ahead

BY FIONA THOMPSON

BRITAIN'S OFFICIAL development *aid increased marginally last* year with substantial relief funds channelled to the victims of famine in Ethiopia, the Sudan and other drought-affected countries in Africa.

The Overseas Development Administration (ODA) said in its annual report, published yesterday, that British net *official development* assistance totalled £1.18bn in 1985, compared with £1.07bn in 1984, a rise of 4.5 per cent in real terms.

As e percentage of gross national product, British official development aid – government as opposed to private aid funds – remained unchanged from 1984 at 0.34 per cent. *That is* well below the *average of* the Western group of aid donors and maintains tha downward trend *of the past few years.*

In an introduction to the report, Sir Geoffrey Howe, Foreign Secretary, while not mentioning Live Aid by name, pays tribute to "the remarkable generosity of the public in response to all the fund-raising efforts" in a year dominated again by famine in large parts of Africa.

Mr Timothy Raison, Minister for Overseas Development, emphasised in his introduction the importance of structural adjustment of the poorest countries' economies.

"In particular, 1985 was for me the year in which an increasing number of poorer countries accepted the fundamental need for eco*nomic and fiscal reform as the* prerequisite of sustainable development," he said.

"That had required political courage but, with the help of the international community, several countries were beginning to reap the benefits of economic recovery, said Mr Raison. "This combination of economic realism and international co-operation augurs well for our operations in 1986."

The report shows that Britain's individual bilateral aid programmes amounted to £822m last year and support for multilateral institutions accounted for £495m. Aid was provided to 124 countries, with the poorest continuing to receive priority – 62 per cent going to the world's 50 poorest countries. India remained the largest *single recipient* of British aid with £106m last year.

As a result of the particular attention paid to the long-term problem of sub-Saharan Africa last year, the overall regional balance of the bilateral programme changed, with considerably more aid going to Africa than Asia.

Africa received 45 per cent of the total allocated and Asia 37 per cent.

In terms of emergency assistance alone, Britain's bilateral disaster relief and food aid to Africa totalled £58m.

Private investment flows, especially new bank lending, remain depressed. The ODA report shows that total private funds fell from £2.3bn to £1.3bn between 1984 and 1985.

British Overseas Aid in 1985, Overseas Development Administration: HMSO £6.95.

TECHNOLOGY

Alan Cane reports on the electronic fingerprint recognition system which the British Government hopes will help capture criminals and export orders

'Supersleuth' goes in search of commercial backing

THE British Government wants to forge links with computer companies to exploit an ingenious idea which could help dramatically to increase the rate at which crimes are solved—and earn the UK millions of pounds in export sales.

The UK Home Office intends within the next few months to seek commercial companies willing to collaborate with it in the development of the prototype of a fingerprint recognition system which it thinks will prove substantially faster and cheaper than any yet developed.

If it successfully finds a partner, and the system fulfils its design potential, the Home Office is likely to base a new, fully automated fingerprint service on it.

It also believes that such a system could be sold to police authorities and security organisations around the world. The market is estimated, according to one consultant, at £100m in the US alone. At present, some 40 systems are thought to be installed world-wide, worth a total of about £40m.

The proposed system is based on two key UK innovations. First, a set of fingerprint matching and recognition techniques (algorithms). These were developed by British electronics group Ferranti under contract to the Home Office, and are acknowledged as the best of their kind.

Second, the transputer, the revolutionary computer-on-a-chip developed and manufactured by Inmos, the semi-conductor subsidiary of Thorn-EMI. The transputer was designed to process electronic signals at high speed—exactly the kind of application involved in fingerprint feature matching.

CAP, a major UK systems house, is this week demonstrating the first stage of such a system based on the Home Office algorithms and the transputer at an international conference on identification techniques in London.

It is showing an encoder, a device which takes the raw fingerprint and automatically digitises it—converts it into an unique string of binary digits, zeros and ones, which can be stored in the memory of the computer.

Encoding is the first stage in automated fingerprint recognition. The second stage, matching, where the digitised image of a fingerprint is compared with the images held in the computer's memory has yet to be tackled using transputers.

CAP has built the encoder at its own expense as a demonstration to tha Homa Office of its willingness to become involved in the development of the full-scale system. It claims its transputer-based device can encode a print in four seconds, ten times faster than other automated systems.

Fingerprint expert Gerald Lambourne (left), a former Commander at New Scotland Yard, discusses the CAP system with Brian Mosley, the company's marketing director, Vin Sumner, principal consultant, and Peter Hall, systems engineer

Mr Gordon Wasserman, an assistant Under Secretary of State with responsibility for the science and technology group within the Police Department at the Home Office, makes it clear, however, that no contracts heve been signed.

Furthermore, the Home Office will have to be convinced that an automated system will have advantages over the existing manual techniques before it proceeds with an eutomated version which, if extended to a full national system will cost in excess of £10m. Existing automated systems offer no cost advantages over the UK manual approach.

Evidence for the advantages of the transputer-based system is expected in a yet-to-be-published report from the management consultants Ernst & Whinney which has undertaken a six-month, £150,000 appraisal of the UK fingerprinting system and its requiremeots on behalf of the Home Office.

Its report is expected to say there is every indication that a transputer-based, fully automated system would be viable—but that the UK's preseot fine record in fingerprint matching using manual techniques could be improved by better co-ordination of fingerprinting activities in individual regional police forces.

So any decision is unlikely to be purely technological. It will be taken on a combination of political, financial and technical grounds.

Mr Wasserman has been talking to systems and software companies including CAP, Logica, De La Rue and NEC, with a view to developing the new system, but he does not report overwhelming enthusiasm.

Although the world market can be measured, in theory, in hundreds of millions of pounds, it is already dominated by two companies—De La Rue of the UK, through its US-based Printrak subsidiary, and NEC of Japan, both of which have been very successful in selling their systems.

De La Rne has some 30 of the 40 automated systems installed worldwide. Last week it announced its latest model range "Orion," which it says can sort through 20,000 prints a second at a cost of between £1m and £20m a machine.

De La Rue systems are alresdy used by, among others, the US Federal Bureeu of Investigation. They are based on algorithms developed by the US aerospace company Rockwell International.

NEC has installed its system in police departments including Alaska, Calgary and Chicago.

A French company, Telesystemes, is reported to be developing an automated system based oo pattern recognition techniques rather than the algorithms favoured by the Home Office, De La Rue and NEC.

None of these systems, according to Mr Wasserman is yet suited to the needs of the UK, where fingerprinting practice is quite different from that in other countries.

The UK with its 3.5m prints oo record seems to be, for example, the ooly country which attaches importance to identifying fingerprints found at the scene of a crime—"cold matching" as it is known.

In the US eod elsewhere, prints are used chiefly for cooforming identity for criminal identification and security purposes. Much use is made of what is called "Ten-print matching" comparing the prints of each of the ten digits taken formally by police finger print experts. The De La Rue and NEC systems are good at matching these prints rapidly.

Trying to match a "cold" or latent print taken at the scene of the crime with its image in a computer database perhaps of millions of prints is another matter entirely.

The Ernst & Whinney report concludes that no existing system is both fast, accurate and cheap enough to meet the requirement of the Home Office.

British fingerprint experts are already so good, it says, at manual matching that to install existing automated systems would not be cost-effective.

At present, according to Mr Wasserman, it costs about £800 to achieve a "cold" match. Using a transputer-based system the cost might fall to £300 a match, at which level it would be cost-effective.

And at such e price, other countries might be persuaded to purchase transputer-based machines to revolutionise their own fingerprinting techniques.

Quicker and cheaper match by transputer

FINGERPRINTS ARE a complex pattern of lines, whorls, ridges and so on in which fingerprint experts further distinguish features such as bifurcations, lakes, ridge crossings and bridges. UK law demands at least 16 points of similarity to establish a match.

Encoding the UK National Fingerprint Collection so that it could be searched automatically began in 1964 under Commander Gerald Lambourne of New Scotland Yard.

In the late 1970s and early 1980s, Logica, UK computing services company, was commissioned by the Home Office to build a prototype automated fingerprint recognition system. Based on Prime computers with Floating Point Systems high-speed arithmetic units, the system, still in use at New Scotland Yard, was extremely accurate but slow and costly.

In the system built by CAP, the Home Office algorithms have been improved and speeded np by Smith Associates, a small software company based an the Surrey University Research Park at Guildford.

The CAP system runs the Home Office/Smith algorithms on a proprietary transputer system, the "Computing Surface" built by Meiko, a small British company specialising in transputer technology.

According to Dr C. J. Elliott of Smith Associates, a transputer-based system should run 10 times faster than a conventional automated matching system, at one-tenth the cost.

CAP's own estimates suggest that a system of 256 transputers working together could perform 1,200 comparisons a second. Fifty such units could achieve 60,000 comparisons a second.

Efficiency bonuses from the harsh North Sea

BY MARK MEREDITH

THE harsher economic climate surrounding North Sea oil operations has produced some unexpected bonuses. While the falling oil price means offshore operators are reining in their exploration and development, there are also opportunities for technology to improve the cost-effectiveness in such operations.

The outlook makes Tom Ehret, managing director of Comex Houlder Diving, one of a rare breed of oil industry optimists these days. Diving is among the areas hardest hit by expenditure cuts. Business is down 20 per cent for Comex and the continued slide of oil prices offers few prospects for improvements.

But Ehret feels his new developments in the area of sub-sea welding will produce the kind of efficiency which the industry now wants.

Oil companies laying pipelines and connecting some of the vast sections of plumbing from the see bed to the oil platforms rely on sub-sea welding. It is costly and often risky work, especially at greater depths.

As part of their sales and safety pitch in this fiercely competitive market, diving contractors need to show their customers, the oil companies, how well they can operate offshore.

The conditions and performance of men and materials vary greatly from land to 300 or 400 ft under water. The reactions of the welding gases and types of steel used for pipelines differ enormously, as does the efficiency of divers.

The diving companies use hyperbaric chambers on land as sort of showrooms to simulate offshore conditions. Large scale welding operation underwater such as pipelaying are carried ont "dry" in pressurised vessels which are lowered over pipeline joints to allow divers to leave their flippers behind and cross from their diving bell to carry out a weld virtually in their shirt-sleeves.

A new £1m hyperbaric centre built by Comex Houlder operates rather like a submarine on land. The pressures are built up inside as if it were a chamber underwater taking the force of the deep water surrounding it. Divers enter compression chambers just as though they were offshore.

The centre has two important advantages as a welding showroom. It has a huge doorway which allows large bits of steel to be wheeled in for tests. In other chambers only part of a joint can be worked on. The chamber itself has 4.6 square metres of space.

Secondly it is a vessel large enough to demonstrate machinery which eutomatically welds pipe. Called orbital welding machinery there is a plan to introduce this commercially into offshore operations.

In a few months underwater orbital welding will begin. The machinery will be installed in the chambers which are lowered over the pipeline and then pumped free of water.

Divers will fit collars over joints in the pipeline, while powerful hydraulic clamps outside the chambers will help line up pipes and make sure they butt evenly.

Optical scanners will examine the next section to be welded and send a signal to a computer in the diving support ship above. A computer will then compare the area with base data and automatically adjust the welding equipment to compensate for flaws at the joint.

Diving contracters often try to tie a specific team of divers to a welding operation to ensure continuity. Orbital welding, while requiring divers to fit pipes in place, eliminates some of the human error which could creep in, especially after long periods of work.

The equipment will also make it possible to carry out welding at much greater depths.

Behind this venture is the Anglo-French structure of Comex Houlder. Its duel citizenship should see the company through the bad patch facing the whole oil industry and allow it to bring into service new technological improvements.

Comex, the French parent, can benefit from government funding for research and development offshore.

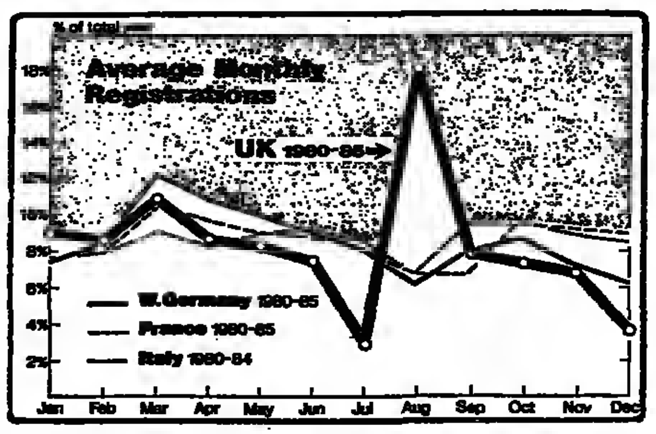
The Houlder side, part of Britain's Furness Withy, brings into play, the innovative mind of John Houlder, who has introduced some key improvements to diving and its sophisticated support operations.

Research into sub-sea technology is also a high priority for promotion by Britain's Offshore Energy Technology Board, set up recently with backing from the Offshore Supplies Office of the Department of Energy.

UK NEWS

Kenneth Gooding on forecasts of a record August for motor traders

Revving up for the car sales race



AS THE motor trade braces itself for the annual August bonanza, when about 15,000 new cars will be registered every working day, opinions differ about whether the 1983 sales record will be broken.

Austin Rover predicts it will be and that about 375,000 cars will be sold next month when the registration number prefix changes to D. In August 1983, the figure was 374,599, when there was a great rush to buy cars with the A prefix.

Ford believes sales will be "a shade up" on last August.

That might still be enough to make it the best month for car registrations. In August 1985, sales were 373,253, only 1,346 below the 1983.

General Motors, the Vauxhall-Opel group, believes there will be a fall this August to 368,000 — a far cry from the 400,000 which some in the industry are predicting.

The optimists point to the fact that the D prefix might last for 14 months because of a possible change in the system — and to the car market's strong performance so far this year. At the beginning of the year most industry forecasts were predicting new car sales of up to 1.8m or slightly below the record of 1.832m for 1985.

It is now clear that these predictions were conservative and many forecasters are now going for 1.85m. In the first half of this year, registrations were 2.3 per cent ahead of the record January-June period of 1985 and sales continued to climb strongly in the first 20 days of July.

There is no doubt that demand has been buoyed by fierce competition and heavy advertising by manufacturing.

This year there has been a change in tactics by the big three producers, which have been concentrating on low-cost finance schemes to attract private buyers during the run-up to August.

Some of the schemes include service, maintenance and spare parts for two or three years as part of the package.

Ford is almost certain to offer an incentive to those who cannot make up their minds to buy in August by giving early warning about a price increase half-way through the month.

The company has adopted this ploy for a few years. There is no reason to suppose it will change this year, even though it put up prices in February and inflation has fallen to a level where two price increases in a year might be considered excessive.

Car retailers have enough experience to cope with the August rush and the flood of used cars taken in exchange for new ones.

There are reassuring words for them from Mr Leslie Allen, director and managing editor of Glass's Car Guide, the most widely-used guide to used car prices.

"Since the number of used cars in the trade prior to August this year was generally well under control, we do not anticipate that the present influx of part-exchanges will be in any way cause major changes within the market. Present evidence points to the trade being able to absorb the bulk of these part-exchanges without too much difficulty."

Meanwhile, the arguments continue about whether the bulge caused by the new prefix should be shifted to another month. The Transport Department has indicated that the prefix change will move to October in 1987 and subsequent years but has said it is willing to listen to other suggestions.

However, the industry is hopelessly split on the issue and is unlikely to be able to put up a united front to change the department's mind.

Austin Rover, Britain's state-owned car producer, wants the prefix abolished, but the department will not consider that option because the police say the prefix helps them identify stolen cars.

The Society of Motor Manufacturers and Traders contends that October will be acceptable. A change to that month should lead to smoother sales and production patterns, it says.

But the Motor Agents Association, representing the dealers, would prefer no change and insists that an October prefix would cause big problems in disposing of the used cars taken as trade-ins.

The most serious warning so far has come from Leslie Allen who says a change to October could severely damage the infrastructure of the used car business as well as hitting new car sales.

"The used car business will be faced with rising stocks and falling prices at completely the wrong time of year," he says. "Customers will find they are talking to a motor trade that will either be unable or unwilling to discuss part-exchange."

There have been other warnings, echoing Mr Allen's prediction of a 10 per cent fall in used car values if the shift to October goes ahead.

However, that still seems to be the most likely outcome as October has the vote of both the SMMT and the department.

Surveyors argue for mineral rights law reform

BY STEFAN WAGSTYL

THE LAW on minerals rights needs to be reformed and streamlined, the Royal Institution of Chartered Surveyors has said.

The institution says that the procedures by which mining companies can acquire mineral rights from landowners are long and costly. They fail to deal adequately with multiple ownership of land and with owners who refuse to co-operate with mining companies.

The institution argues in a discussion paper that a drastic reform of the law—involving, for example, the nationalisation of mineral rights—would be unnecessarily severe.

However, there are inadequacies in the Mines (Working Facilities and Support) Acts, which allow mining companies to purchase rights compulsorily under certain conditions.

Difficulties arise because a company has to win a supporting statement from the Trade and Industry Secretary saying there is a "national need" for a particular project before permission to buy rights compulsorily is granted. The report argues for "national need" and "national interest" to be defined.

The acts are a rare example of legislation which allows one private individual (often a large company) to acquire rights compulsorily over the property of another, the report adds.

Access to Mineral Resources in Great Britain, Royal Institution of Chartered Surveyors, 12, Great George Street, London SW1.

Bradford to seek special development status

By Ian Hamilton Fazey

BRADFORD, once the wool capital of the world, is to ask the Government and the European Community for special status so it can start a £110m programme to regenerate its economic base over the next five years.

The Yorkshire borough, which also includes Keighley, Ilkley, Shipley and Bingley, has 30,000 unemployed out of a total population of 468,000. Without urgent action, the jobless total is expected to rise to 50,000 by 1996.

The area has been hit badly by the decline of the textile industry, a failure to attract private sector investment, and an expansion of the local population.

It is therefore asking to be designated a suitable area for a European-backed integrated operations action programme. This would combine and coordinate all sources of help from the Government and the European regional development and social funds and would be worth £110m if the proposal were accepted.

The programme would pay for industrial modernisation, the development of a tourist and entertainment industry, widespread training for employment, technology transfer schemes, as well as improvements to transport services, the local infrastructure and the environment.

It has been drawn up by Graham Moss Associates, the Bristol-based planning consultancy, at a cost of £120,000, 60 per cent of which was paid for by the Community.

Under the programme, the Community would continue to be the main contributor, providing £53m of the total. Bradford Council would put in £38m, including urban aid money from the Government, which would also be asked for another £5m. Private sector and other sources would account for the rest.

However, the projects involved would be designed to make Bradford a more attractive place for investment. The study anticipates that this would "lever" £2 of private sector money for every £1 of public money provided. It thinks that this would help create 5,500 jobs and make Bradford a national showpiece for inner-city regeneration.

US director hopes to give ICI 'a kind of hormone injection'

Tony Jackson meets the latest overseas recruit to a chemicals group's boardroom ranks

Thomas Wyman: admires atmosphere of change

IT IS remarkable that Mr Thomas Wyman, appointed at the start of this month as the first US board director at Imperial Chemical Industries, should have found time to take an outside, non-executive post at a company on the other side of the Atlantic.

As chairman — and sole executive director — of CBS, the US media corporation, he has been exposed to more or less continuous assault from corporate raiders over the past year or two.

He also spends time on the boards of General Motors, AT&T and the Ford Foundation.

One factor which has brought him to ICI is an admiration for the atmosphere of change and energy in the chemicals group under the chairmanship of Sir John Harvey-Jones.

Another important reason is ICI's interest in introducing a greater diversity of board members. This is an idea not much developed in the UK, but Mr Wyman's CBS pursues it vigorously in the US.

Mr Wyman is the third in a series of overseas notables brought on to the ICI board as non-executives by Sir John. The other two are Mr Walther Kiep, a distinguished West German public servant and head of the West German insurance group Gradmann and Heller, and Mr Shoichi Saba, head of Toshiba Corporation of Japan.

The appointment of Mr Saba last year was seen to the industry as an especially smart move, since it widened ICI's contacts not only in Japan but also in the world of electronics. Does Mr Wyman's appointment fall into the same category?

"There's only one chance in a hundred of direct business links," he says. "That isn't the objective anyway—commercial links ought to be conducted farther apart."

One thing he reckons he can contribute is contacts in the US business and financial community. "ICI has a £2bn business in the US, but if you asked people in New York, you'd find they see it as a £60m business. There's a need to communicate a corporate identity to the business and financial community, and to the press."

From his experience of non-executive directorship at General Motors and AT & T, he says "benefits flow heavily in both directions. You inevitably take away as much as you give."

The main attraction for him is clear. "ICI is an unusual company, with a very large proportion of its business spread around the world. When John Harvey-Jones first asked me if I was interested three years ago" — when he says he was not in a position to accept —"I found it a fascinating idea that he might deliberately want so many board members from around the world.

"It's the direct opposite of having all your board members living within 75 miles of London — which would apply to 98 per cent of British companies, and the same for their New York counterparts. This way, you get different perspectives, wider contacts, and a kind of hormone injection."

Mr Wyman is sure this pattern will become more popular. "Within limits, diversity on a board is important. You need a mixture of ages, of financial people and marketing people, outsiders from high-technology industries, college presidents, doctors of medicine.

"And in our world a board is not considered fully developed unless it has a woman or two on it, especially in consumer industries."

This idea is not yet the case in Britain — at Beecham's annual general meeting last week, a shareholder's question on female board representation was greeted with male ribaldry. At CBS, however, the principle of diversity is pursued with determination.

Mr Wyman says: "We have on our board the heads of Honeywell computers, Corning glass, Cummings diesels and Revlon cosmetics. We have a woman who was US representative to the UN, the chairman of the Ford Foundation — who is black — and an ex-secretary of Defence in the Carter Administration who is now an academic."

For an enthusiast like Mr Wyman, it seems fitting, if a touch extreme, that the inside directors of CBS should total just one — himself.

He became chairman in 1983 and says: "When I arrived there were four other inside directors but we changed that. They now participate in meetings as members of management, not of the board."

What attracts him about ICI? "If you were asked 'how would you like to go on to the board of a large company which has been in industrial products for 100 years, making ammonia and potash, with meetings in London?' and nothing more was said, the answer would have to be no.

"But if you sensed that a traditional company was engaged in altering not only its business but its culture, in the sense of financial and business strategy, risk taking, success criteria and so on — if you were asked to be part of that process both as a participator and as an observer to be educated by it — that's a different matter.

"What John Harvey-Jones conspicuously radiates is that he's an agent of change, and unconventional in the best sense. My first board meeting convinced me there's an energy in the air that it's interesting to be a part of, and try to understand."

Sir John, of course, retires next spring, to be succeeded by Mr Denys Henderson. A tactful man, Mr Wyman has that one covered without being asked. "All the signals are that the momentum is in gear," he says. "It will clearly survive management change and transition."

This announcement appears as a matter of record only

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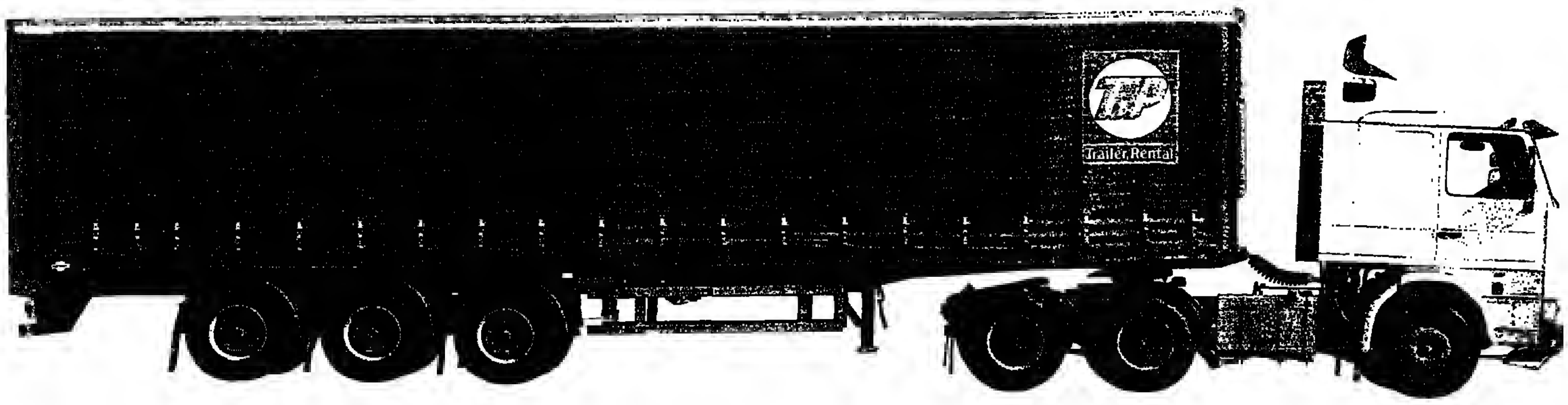


June 14th 1986

CITICORP VENTURE CAPITAL

MANAGEMENT: Small Business

Irish Republic

The search for high flyers goes upmarket

BY WILLIAM DAWKINS

ON THE face of it, Tom Carroll's main task in life does not sound very promising.

His job is to pick potential winners from the small business community around Shannon in the south west of the Irish Republic and work them up into winners.

It sounds unpromising because the Irish economy is dominated by large foreign groups—they provide more than a third of gross national product—attracted by the generous aid packages offered by the Irish Industrial Development Authority (IDA).

That is also why Carroll's job as managing director of the Plassey Technological Park Innovation Centre near Limerick is so important. Foreign investors certainly create the jobs that Ireland needs to whittle away at its nearly 18 per cent unemployment rate, one of the highest in Europe.

But, as the IDA's critics point out, foreign businesses have little more than an indirect impact on the domestic economy's ability to grow businesses that will be independent of the all too often erratic whims of outside corporations. A mere 30 per cent of the republic's new jobs came from small businesses in 1983-84, a poor comparison with Britain and the US, where the sector produces practically all new employment.

The Plassey centre, an oriental-looking low-slung building opened six years ago with I£1.5m (£1.4m) from Shannon Development Company, is Ireland's first organised attempt to pick out and promote small business high flyers. Small business research all over the world has shown that the bulk of the sector's new jobs is produced by a very tiny proportion of growing companies—and those are the ones that the Plassey centre is trying to identify.

"We are looking for the outfit that breaks the mould of the *small* company and *is going* to employ not 50 people but 500," says Carroll. Plassey is also a pioneer member of the chain of 30 similar organisations across Europe which make up the Brussels-based European Business and Innovation Centre Network (EBN).

The EBN has yet to see any results from the grand plans it outlined at its formation 18 months ago for technology and other information links between network members. But Carroll's peculiar position trying to help entrepreneurs in a country where the odds are stacked more steeply against small businesses than most gives him a special insight into how to pick aces from an unpromising pack.

In many ways, the Plassey set-up is similar to those of EBN counterparts from Aston in Britain's Midlands to Berlin: low rent workshops on flexible terms, management advice and other services from the centre's nine senior advisers and a pool of finance to help project ideas develop into a commercially fundable state.

The difference is that the 29 projects now beavering away at Plassey are compelled by the limitations of their domestic markets to export far earlier in life than their European counterparts.

Most of Plassey's high technology alumni comes from the nearby National Institute of Higher Education, Ireland's leading technology university. Others are enticed out of nearby foreign owned businesses, like Wang Laboratories' huge European manufacturing headquarters over the road, and by the IDA's two-year-old enterprise development programme, which provides state guaranteed loans for senior managers wanting to strike out on their own.

The most important part of Plassey's selection process is a six month training programme for would-be entrepreneurs, typically led by somebody who has already built up a successful enterprise.

The idea is to force participants to assess accurately their own chances, adjust preliminary plans accordingly and learn how to build e team, rather than simply teach them how to get started, explains Carroll. "We are trying to develop the quality of the person more than his ideas. Looking for minds open to receiving new project ideas is important," he says.

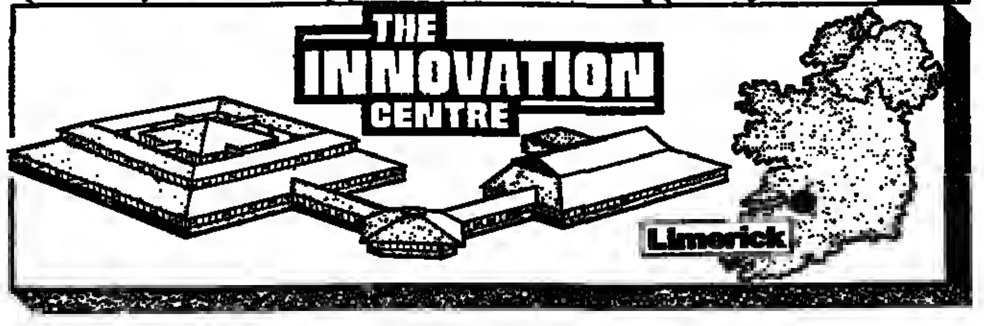
Carroll admits that identifying entrepreneurial types has not been easy. "In the early years, we were too much influenced just by the people who came to our presentations. Now we are trying to move up-market and to be more *pro-active*," he says. Of the £800,000 invested by the centre in 50 of its past and present clients, £150,000 had to be written off.

Revealingly, all but one of the centre's 12 failures collapsed well before they reached commercial production because they found the market for their products was too small or did not exist.

At least two of the centre's brightest alumni—as shown on this page—have had to make big changes in their initial plans and have had to go outside Ireland to sell their products. They are among the five businesses to have come out of the centre good enough to raise commercial venture capital, a total of I£1.35m attracted with the help of so-called "matchmaking" conferences organised by Carroll's staff to bring investors and small enterprises together.

Another 40 projects are under the centres' wing in early appraisal stages, half of which Carroll believes will become *attractive enough* for *venture* capital funding.

Michael Healy | Tom Carroll | Denis Sugrue



Exports base

IF IT WERE not for the generosity of the public aid available in Ireland, it is quite possible that Limerick-based Intepro Systems would have moved near to its main customers in the US long ago.

That is the view of the managing director of this maker of automatic power supply test equipment, 34-year-old Denis Sugrue. He says: "Our entire growth had to come from exports right from day one. That has been a very serious disadvantage."

In the event, state guaranteed loans, grants and subsidised training together worth around I£800,000 have helped to keep this three-year-old venture in Plassey Technological Park. The 50-strong group spent the first nine months of its life *in* a workshop at the innovation centre—where it still keeps its research and development department—before moving to a larger office next door.

Intepro's experience illustrates how Irish small business policy is as much directed towards keeping growing enterprises in the country where they can provide jobs as it is towards making it easier for them to flourish.

Sugrue and his brother Eoin were lecturers at the nearby National Institute of Higher *Education when they developed* their business plan, both drawing on earlier industrial experience.

They have so far raised I£550,000 in two rounds from a consortium including Alta Berkeley (also an Ashling investor) and Sofinnova, the French venture capital group. Last year's sales of I£1.3m, 85 per cent of which were exported, brought taxable profits of I£130,000, forecast to rise by 50 per cent this year.

The main cost of staying in Ireland, says Sugrue, is that the company's geographical remoteness forces it to spend 40 per cent of running costs on marketing, which involves keeping a fifth of the staff permanently abroad in Britain, West Germany and Massachusetts. The advantages are that manufacturing and development cost as little as half as in the US thanks to Ireland's low wages, a side effect of the country's high unemployment rate. Even so, says Sugrue: "It would not have been possible for us without state help."

Complicated structure

NONE OF Plassey Innovation Centre's clients better illustrates the importance of the old venture capital adage that managers are more important than products than Ashling Microsystems.

Set up three years ago by four *participants in the centre's first* six-month entrepreneurship and technology course, Ashling expects to turn over I£2m this year, up from sales of I£680,000 in its first trading period. The group makes low-cost emulators, electronic devices which are programmed to perform like specific pieces of computer hardware to help chip designers.

Ironically, the group's 38-year-old managing director, Michael Healy, had something quite different in mind when he joined the part-time course while still working as e research and development executive for neighbouring Wang Laboratories. "I was planning something to do with an electronic mail service, but I soon learned that the exact nature of the project was not the most critical issue. The important thing was to find the skills needed and to look at the markets I might be addressing."

Two other course members, Gerry Stockil and Gerry Joyce, young graduates from the republic's National Institute of Higher Education, were meanwhile learning thet their idea for an emulator was a good one, but they needed a more experienced team than just the two of them to turn it into a company.

Together with another course member, Brian Lindsey, a former IBM salesman, they managed to raise about I£100,000 in innovation centre loans and IDA guarantees to get through the development stage before pulling in another I£500,000 from Dublin-based Development Capital Corporation, and the London risk capital groups 3i and Alta Berkeley.

Apart from helping to put together the team in the first place, Healy reckons that the other key part of the centre's contribution was to provide cheap space for the company to inhabit in its cash hungry early stages. *Only* now is Ashling, with its 37 staff, ready to move out to fully commercial property.

"It is important for a company like us not to have to invest too much in bricks and mortar. Think what your technology is and put money into that—don't invest in anything else," says Healy. That is particularly true for e venture which is forced by the small size of its home market to export 97 per cent of its sales to 14 countries. Most exports are handled by distributors, but the group still has to pay for two of the founders—Joyce and Lindsey—to live in West Germany and California and is now looking for executives to place in London and Paris.

Most high technology British companies the size of Ashling could afford to wait two or three years before having to *shoulder* a *complicated* management structure like that.

£2.5m sought for seed funding

THE FIRST true seed capital fund to be launched in London for well over a year is now treading the streets for up to £2.5m to invest in prototypes and product ideas.

JMI Seed Capital aims to work undeveloped projects into companies suitable for mainstream venture capital funding by making available sums of £100,000 or less and by participating closely in the management of its enterprises. Normally, venture capitalists professing to offer US-style hands-on management can only be sure of covering running costs if they invest far larger sums in more established businesses.

That is why, points out Philip Percival, JMI's managing director and former European director of Arthur D. Little, the consulting firm, the fund's management fee has to be unusually high. If JMI raises the full £2.5m, its estimated £150,000 annual charge will come out at 6 per cent of funds under management, well over twice the 2.5 per cent fee that is normal for larger venture capital groups with their economies of scale and more developed investments.

Nine big institutional investors appear to have been persuaded that JMI is enough of a special case to justify its fees and have accordingly promised £1.75m. Significantly, they include GEC Finance, the first time ths electronics giant has invested in a venture capital fund.

JMI will also have an independent source of income through its own management group, which expects to earn roughly £50,000 in the first year from consulting for ventures outside its partner's seed capital portfolio. Not surprisingly, JMI has strong US links. It takes its name from Seymour Joffe, who launched his first seed capital fund six years ago in New York before becoming a vice president of Gartner, a Connecticut-based information technology consultancy. Joffe will be part-time chairman, leaving the day-to-day management to Percival. There are also four non-executive directors in the advisory group, who are all running their own successful ventures.

In another US touch, the directors will automatically have a 20 per cent share of capital gains when the operation is wound up in 10 years. The first investment is to be a £178,000 injection into Crystal Technologies, a US producer of secretarial workstations—and an earlier Seymour Joffe backed venture. Crystal is just starting full production and expects a public flotation in 1988—but Percival stresses that this will be untypical of most of JMI's investments, which will tend to be at a much earlier stage.

WD

In brief...

A SYMPOSIUM is to be held in Luxembourg from September 23 to 25 to examine the problems associated with commercialising publicly funded R and D.

Opportunities for small enterprises and measures that could be taken by the European Community will come high on an agenda which covers both European wide and national attempts to get public research out of laboratories into commercial markets. The registration fee is BFr 3,000 (£44). Details from D. Nicolay, DG XIII/A2—JMO B4/086, L-2920 Luxembourg.

●

ENTERPRISE Training Services, a London-based training organisation, is looking for people to take part in its new business programme, which runs from September 29 to December 7.

Fees are paid for by the Manpower Services Commission (MSC) and the course will cover in 16 sessions how to set up, finance and manage a small business. Marketing, financial planning, buying a business, franchising, law and taxation are among the subjects to be covered. Details from Alison Arnold, Enterprise Training Services, 100 Baker Street, London W1.

Meanwhile, Durham University Business School is now open for applications for its new enterprise programme, aimed at people with ideas for fast expanding businesses which expect to employ at least 10 staff within the first couple of years.

Also funded by the MSC, the course starts with a three-week residential period at the school and continues for 18 weeks. Details from John Taylor, Durham University Business School, Mill Hill Lane, Durham, DH1 3LB.

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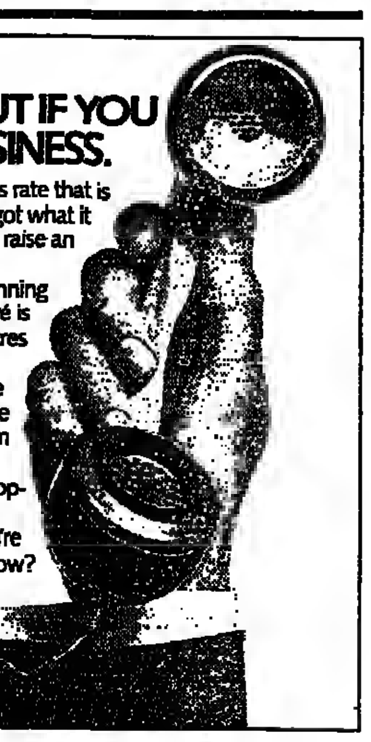

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THE ARTS

New York galleries/Paula Deitz

Lazy days of summer, season of the connoisseur

New Yorkers may not have a compact summer exhibition compsrable to the Royal Academy's; but during these weeks, when the city slows to a leisurely Southern pace, an afternoon's visit to the galleries' annual summer shows lets one catch up on artists missed during the year and see some of next season's new faces. Even more rewarding then these exhlbitions of gallery regulars, with titles like *In Full Bloom* and *Summer Issue*, bowever, are the aeveral thematic sbowa this summer that reveal as much about a gallery director's own pursuits as about the artists.

Come July, everyone either relaxes or leaves town, or both, and the galleries are left to c'e as they please. Throughout the year, the pressure bas been on to exhibit (read: sell) work by contemporary artists and to give a sbape to the art market wbich for many has meant introducing new trends and convincing collectors of their validity. To my mind, summer is for quiet connoisseurship on both sides of the gallery door.

Nowbere is this hetter displayed than at the Robert Schoelkopf Gallery's *The Modernist Movement in America*, an exhibition of 28 on the whole small works that make a big statement about this formative period in American art—from 1912 to the 1950s—just before the major Abstract Expressionists made thelr big splasb. Bob Schoelkopf is famous for bis "backroom treasures," a personal collection of assorted modernist works wbich one used to be permitted to peruse at leisure until a few small sculptures disappeared and It was put under lock and key. This official show can be said to be a reward for patience and understanding, for the works have come out from under wraps and have been given an order that enhances themes and relationshipa.

No sooner does one register Konrad Cramer's *Still Life by Window*, a sunny Cubistic view outside, a duomo in shades of pink, contrasted to a dark green vase of flowers inside, then one sees hanging nearby two other equally fine still lifes, another by Cramer, *Fruit Bottles on Tip-Toble*, and Jan Matulka's *Still Life with Wine Bottle and Bowl of Fruit*. On another wall, two small 1916 oils by the colourist Morgan Russell from the *Synchromy* series bave a depth and intensity in tone and configuration that one recognises may become diluted in his larger canvasses. This is true also of Thomas Hart Benton's *Mural Sketch* of the same period. Paintad on tin in a lunette shape, the barely emerging figures bave a brilliance and vivacity that dispersa in monumental size (compare it to the *America Today* murals which bave just been saved and installed in the Equitsble Center lobby a few blocks away at 787 Seventh Avenue).

The artist who fixed the look of New York best for all time was Josepb Stella—here represented by a c. 1919 *Skyscraper Study* in charcoal and blue crayon that looks as if it came off someoue's drawing board last week, and a small ink and watercolour sketch called *Study for New York Interpreted*, which has a brilliant display of streaming lights that migbt well bave illustrated this past Fourth of July celebration, all in 3¾ by 2¼ inches (50 West 57th Street reopens on August 12).

At Hirchl & Adler Modern, one of the most beautiful sculptures of the last ten years is on public view for only the second time—Christopber Wilmarth's *Days on Blue*. Wilmarth frequently cites his admiration for the way tha rays of the setting sun in summer slant through New York City's side streets and hia desira to walk oue of those streets to its end at the Hudson River to experience the full display. Hia earller sculptures were abont this luminoaity and contalued light, and benca the viewer's desire to enter into that enclosed world. His materials are steel and glass etcbed with acid ln a painterly fashion, so that the frosted surface brings out the true pale green colour of glass. Some patcbes are left clear and tantalize because one can almost aee inslde. In *Days on Blue*, an approximately 18-foot-long, aeven-foot-high steel construction, the middle portion of the steel plate opens up and folds partially back and a pane of etcbed glass is inserted at an angle almost like s revolving door—an imaginary portal to a world of mysterious ligbt.

Page from a Picasso sketchbook — a stage in the development of Les Demoiselles d'Avignon

In other rooms are Cy Twombly's numerical musings and sketchea and Joe Zucker's landscapes of cotton, acrylic and rboplex on canvas that bear a great resemblance to this writer's painted pasta constructions in elementary school. But, in favourable contrast one finds behind the gallery desk Fairfield Porter's 1966 painting, *Crowded Table*, with every single dish still claiming its part in the festivities as if after a happy summer brunch (851 Madison Avenue).

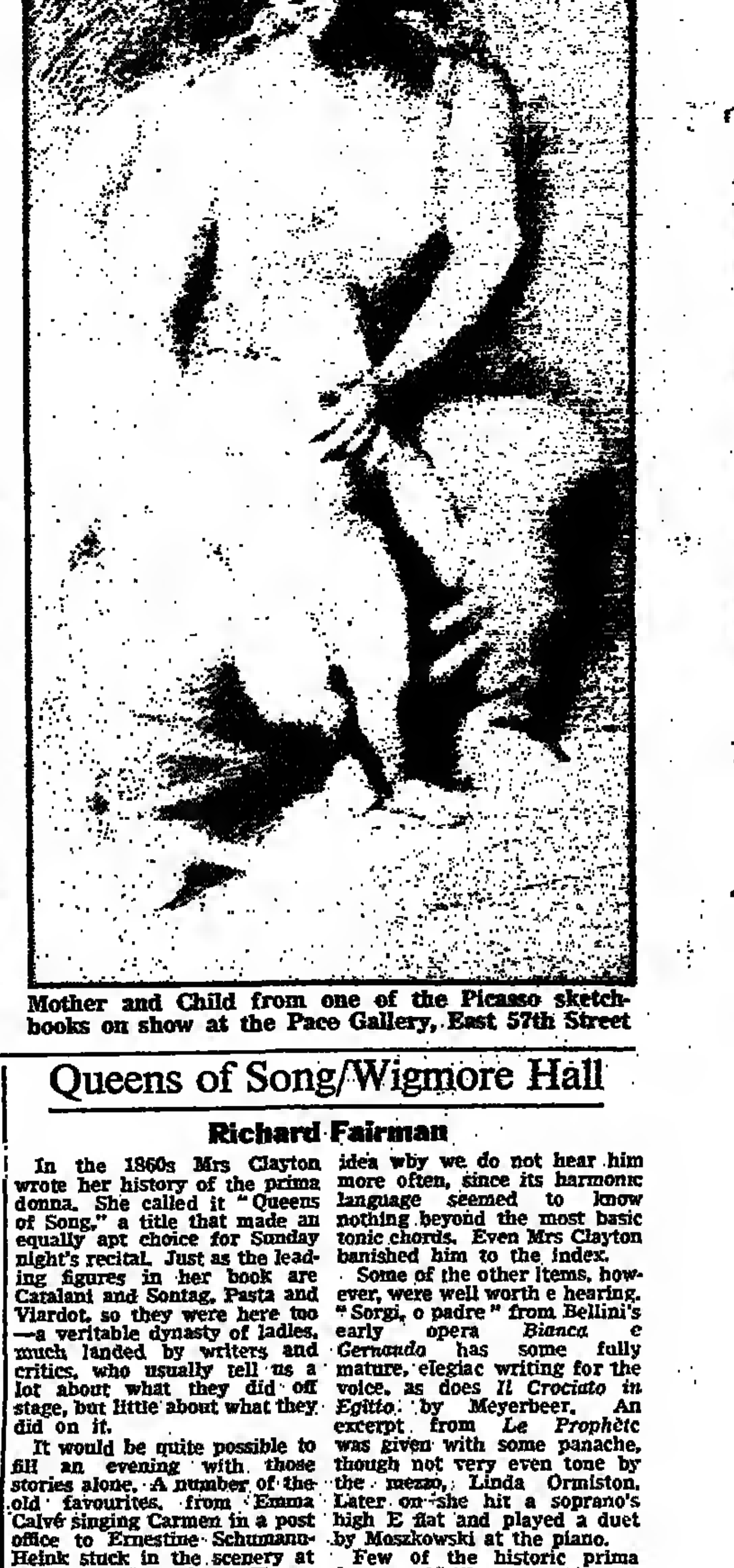
On East 75th Street, around the corner from the Whitney Museum, Xavier Fourcade has mounted an exhibition of Jobn Chamberlin sculptures to celebrate his retrospective at the Muesum of Contemporary Art in Los Angeles. Alongside, by invitation, are works by six friends, and since the friends are Willem de Kooning, Dan Flavin, Jasper Johns, Donald Judd, Malcolm Morley and Frank Stella, this is a fine occaslon for mid-summer, especially as the works are not always what might have been expected. Although Chamberlin still uses bis medium of crushed antomobile, tbe towering assemblages have lost any flatness and instead colourful steel sheets with graffiti-like designs are rolled into columns that stand togethar as a base crowned with borizontal projections. An occasional vent grill or other recognisable part evokes the original forms.

Frank Stella's small 1986 wall construction, *Virginia's Bloody Soil*, of patinated bronze, titanium and cast steel surprises by its quiet sensousness next to the Chamberlins. This almost no-colour affair of wavy, twisted and egg-crate sbaped metal fragments makes one anticipate his next show. Morley's *Plane Sailoring on the Beach* ia painted appropriately at the edge of tbe deep blue yonder nf summer (36 East 75th Street).

And, finally, the Pace Gallery is marking its 25th anniversary by originating a spell-binding exhibition of 45 of Picasso's 175 sketchbooks, on loan from the family. There are over 300 images and notations from 1900 to 1965 nn view, along with tickets and shopping lists stuck in between the pages. These are the unknown works that do more than illuminate the established oeuvre — they bring alive the artist's daily thought process. The man never stopped, either drawing new ideas or simply recording the passing view — in this regard an image in Sketchbook No. 26 of a middle-aged woman, hands raised in a Spanish dance in Madrid in 1901, was *à propos* of nothing but sheer pleasure.

But then Sketchbook Nn 42 traces the rapid development of forms that became the composition *Les Demoiselles d'Avignon*, and in another, the first primitive masks are sketched in red chalk. *The Mother and Child* in pencil in Nn 77 may even be considered the best among the finished series, and many of the early cubist drawings are completed works in colour. Tha notebooks themselves range from tiny shirt-pocket size with attached pencils to some large ones with leather-tooled covers and spiral notebooks where the spirals bave been carefully and temporarily removed to display sketches in sequence.

The wbole gallery has been redesigned for this brilliant installation of low cases, and although tha exhibitlon will travet (thanks to American Express), first to the Royal Academy in September, this opportunity of viewing them at the Pace Gallery may never be equalled. And tha exhibition title, *Je suis le cahier: The Sketchbooks of Picasso*, is charged with his inimitable humour. Adding to a cover printed with *Cahier appartenant à*, he makes it (in translation) I am the sketchbook belonging to Monsieur Picasso Painter and here together they speak for him as never before (32 East 57th Street).



Mother and Child from one of the Picasso sketchbooks on show at the Pace Gallery, East 57th Street

The King Goes Forth to France/Savonlinna

Andrew Clements

To come down from the friendliness and qniet of the Kuhmo Chamber Music Festival to the bustle and cosmopolitan atmospbere of Savonlinna is a genuine culture shock. Savonlinna has now set out its stall as *the* opera event of Scandinavia, aiming to attract the international audiences of Salzburg to a Finnish town that has unimpeachable attributes as a festival centre, with scenery that seems to be more lake than land and the magnificent castle as its centrepiece in which the operas are staged.

Sevonlinna already has its own traditions: this was the 14th year in whicb August Everding's staging of *The Magic Flute* has been presented, while Sallinen's *The King Goes Forth to France* promises to become another establisbed favourite. The new production this year was *Aida*, on which I will report later; in the meantime some reflections on the revivals and on the Sallinen in particular.

The King Goes Forth to France was first seen in 1984 and Max Loppert then discussed it bere at length. Sallinen's commission originated as a joint venture between Savonlinna, the BBC and Covent Garden, and we know now thet the Royal Opera is at last going to give the British premier next February, conducted by Okku Kamu. It will be fascinating to compare that with the original Finnisb sbow, for the main problem which the Savonlinna production presents is that of separating the opera ltself, music and libretto, from Kalle Hoimberg's highly characterised staging.

1 suspect thet the best place to begin is the libretto, for Paavo Haaviko's Finnish text rendered into e seemingly excellent English singing version by Stephen Oliver is a highly wrought piece of work in its own right, multi-layered, with literary and historical conceits strewn througb it like raisins in a fruit cake. Potentially it is a thoronghly dramatic basis for an opera, which can tease and arouse its andience at the same time as pressing home a number of uncomfortable truths. The setire is never heavy handed, it Invariably leaves a little work for the listener to do, bnt the conclusions it draws come through strongly.

What Holmberg bas done is to blur the edges of the satire completely, and make an already convoluted scenario even barder to follow. Undeniably be bas created a highly effective piece of theatre, but spectacla aeems to have mattered more than making e meaningful fusion between music, text and dramatic action: the three strands are teased apart rather than woven into a unified scheme.

There'a no denying that some of his ideas are brilliant imaginative strokes; the appearance of the Genoese crossbowmen, the wedding of the King, the conception of the Burghers of Calais, are all fine in themselves, but they must be balanced again s failure to deal adequately with many of the most important elements of the plot, most crucially the characterisation of the four women, two Carolines, two Annes, wbo bave such bigh hopes of gaining the King's favour.

In such circumstances one ought to be sble to fall back upon Sallinen's music for coberence ia precisely what is lacking — its recurrent ideas are not especially strong, while the pastiches littered through the scenes, intended presumably to complement the time warpa of the text, often fail because they are clumsily handled and are not integrated convincingly with the stage action. When mood music of a generalised kind is demanded Sallinen can usually supply it, but that is the talent of a respectable film-score writer rather than an enduring opera composer.

In its third year the production has retained mnch of its gloss. The conductor, Markus Lehtinen, worked as sssistant to Kamn in previous years and controls the orchestra with great clarity and directness, while the cborus in particular work and sing like Trojans. The cast seems well grooved and consistent, with Sauli Tiilikainen as the King and Marko Putkonen as the Prime Minister quite outstanding, and some fine singing from Marjatte Airas as Caroline with the Thick Mane.

The Magic Flute, bowever, seems tn be showing its age at last and apparently will be retired after next year's festival. The production still bas considerable charm, and I warm to any version that has a real fire-breathing dragon, but the definition has lergely gone. Osmo Vänskä condncts a hrisk, well pointed account, but the ainging wben 1 beard it was very variable, with only a fine trio of Ladies (Riika Rantanen, Tanja Kauppinen, Monica Groop), an affecting Pamina (Satu Vihavainen) and engaging Papageno (Tero Hannula) to lift it above the mundane.

Gary Wilmot/Fairfield Halls, Croydon

Michael Coveney

No child between the ages of six and 12 years will need a critic's recommendation to catch Gary Wilmot this summer. The impressionist, singer and all-round entertainer wbo resembles a young, Incipiently chubby Harry Belafonte, is a TV favourite, and deservedly so. Last November he stole the Royal Variety Show with his medley of American vocal stars singing Cockney classics: Stevie Wonder, Tony Bennett, Prince and, best of all, Randy Crawford doing "Knees Up Mother Brown," Andy Williams egonising over "Boiled Beef and Carrots."

This summer Mr Wilmot has been dividing his time between the TV studios and a whistle-stop tour of seaside resorts and civic theatres. On Saturday nigbt be was in Croydon, Sunday in Torquay. He performs familiar material, perbaps now over-familier, including that Cockney medley: Norman Wisdom on a paracbute jump, e really brilliant Johnny Mathis, the airport announcer in several languages. Less bappily, be sings a dreadful song be has written with his musical director Irvln Jaye but redeems himself with presentation and general personality points.

Just as Lenny Henry used bis own blackness to make satirical points about the newscaster Trevor MacDonald, so Mr Wilmot has been creatively irreverent about the BBC'a Moira Stewart. The TV comedy abow is suited to quick change impressionists; tha stage is more cumbersome, so we have no Moira Stewart and no Tina Turner, one of his most brilliant evocations. Instead, Mr Wilmot sacrifices himself to the fluency of the sbow, introducing the narcissistic singer Danny Owen with a series nf false starts, or mncking in with a pleasing zany double act of Martin Beaumont and Nikki Boughton.

There is also an extremely llthe and watcheble dancer, Sally Taylor, and an earnest singing duo, Live Wire, who look like Holiday Camp clones for Streisand and Sheenah Easton; they ruin "I Know Him So Well" from *Chess*, smothering it in gesture and pboney *angst*.

Admittedly the microphone and sound system in the hideous Fairfield Hall—a sort of suburban Festival Hall with a cheap wooden interior and a dull galaxy of elderly usbers—was a disaster. But whenever Mr Wilmot was on he overcan*f* all obstacles. He is a genuinely gifted, funny and sympathetic performer, from the moment he takes "Happy Birthday" requests from the audience to an astonishing finale on Saturday night when old friends and neighbours from his South London background declared themselves and very nearly left him floundering for words. He asked for his ball back first, though.

Gary Wilmot

Queens of Song/Wigmore Hall

Richard Fairman

In the 1860s Mrs Clayton wrote her history of the prima donna. She called it "Queens of Song," a title that made an equally apt choice for Sunday night's recital. Just as the leading figures in her book are Catalani and Sontag, Pasta and Viardot, so they were here too—a veritable dynasty of ladies, much landed by writers and critics, who usually tell us a lot about what they did off stage, but little about what they did on it.

It would be quite possible to fill an evening with those stories alone. A number of the old favourites, from Emma Calvé singing Carmen in a post office to Ernestine Schumann-Heink stuck in the scenery at the Metropolitan Opera House, were included by the narrator, Seammus McGrenera, here. But the main virtue of an evening lika this is the chance to have a sample of operas long forgotten and in this the programme did not let us down.

Mercadante and Meyerbeer put in appearances, as one might expect. So, more unusually, did Vincenzo Pucitta: an excerpt from his *La Caccia di Enrico IV*, sung with much vivacity by Marilyn Hill Smith and Linda Ormiston, gave an idea wby we do not hear him more often, since its harmonic language seemed to know nothing beyond the most basic tonic chords. Even Mrs Clayton banished him to the index.

Some of the other items, however, were well worth e hearing. "Sorgi, o padre" from Bellini's early opera *Bianca e Gernando* has some fully mature, elegiac writing for the voice, as does *Il Crociato in Egitto* by Meyerbeer. An excerpt from *Le Prophète* was given with some panache, though not very even tone by the mezzo, Linda Ormiston. Later on she hit a soprano's high E flat and played a duet by Moszkowski at the piano.

Few of the historic prima donnas (Malibran or Viardot excepted) could surely have equalled a feat like that. But for pure singing, in wbich they did excel, the prima donna of tbis evening was assuredly the soprano Lillian Watson, whose "ease and purity" of tone in Donizetti's *Linda dl Chamounix* was not unworthy of tbe quoted comparison with Sontag. Gerald Martin Moore was the accomplisbed pianist, writer of countless decorations and arbltrator between the three rival Queens of Song.

BBC Symphony/Albert Hall

David Murray

Replacing Pierre Boulez (retired by a broken knee) and his Prom programme for Saturday, Ronald Zollman made a splendid impression with the BBC Symphony. If his Bartók Four Pieces op. 12 missed the note of unanswerable conviction, they were acutely researched; in a concert performance of Stravinsky'a oddly-cut gem *Le Rossignol* hia pacing and judgment were impeccahle, and for Debussy's bejewelled *Jeux* be conjured np sympathetic magic. It was a delight to hear the orchestra in such refined form.

Bartók's op. 12 "Pieces" are obviously the size of at least a Sinfonietta, if not a Symphony. Bartók disclaimed such pretensions: the pieces are self-contained *genre* studies, not symphonic movements. Still 1 think lt wrong to label them "transitional" Bartók—on the contrary, they represent (along with *Duke Bluebeard's Castle*) hia own newly-discovered barmonic voice, complete with the accents of the mature composer. Without striking that confident vein, Zollman hit moment-by-moment upon a lot of interesting nerves, always genuine discoveries.

His account of *Jeux* came closer to the bone. Whatever its balletic intentions, it is an orcbestral construction of inexhaustible richness, no less as e well-sprung, cogent sequence than as s string of brilliantly suggestive inventions. In Zollman's hands lt moved tautly, but each passing event got its full luminous value (superbly realised by the BBC players), always retaining the sense of elusive whispera that marks the entire score.

Stravinsky'a *Rossignol* is a famously fractured score: one act composed before *Rite of Spring*, two more very obviously after (by wbicb time Stravinsky's interest in writing "exotic" vocalise for his Nlghtingala bad waned). Here, Phyllis Bryn-Julson was so smoothly appealing and wsrm as the Nigbtingale. Neil Howlett patrician enough as the Emperor, and Ian Caley so coolly enraptured as the Fisherman that the whole piece bung together. Zollerman was tender with the earlier music, crisp and poised in the later; the story was whole-heartedly told hut with room for irony sli along the margins. The piece cried out for visual staging of equal finesse. Sarah Walker's Kitchenmaid waa gently fervent; as the Bonze, whose chief business is to sing "Tsing-pe!" in a cavernous Russian bass, Jules Bastin waa wasted.

Opera North's autumn season

Opera North is opening its autumn season in Leeds on September 27 with *The Capture of Troy*, the first half of Berlioz's opera *The Trojans*, in a three-way production with the Welsh National and Scottish Operas. It will be performed in a new translation by Hugh Macdonald, directed by Tim Albery and conducted by David Lloyd-Jones.

The American soprano Kristine Ciesinski will make her Opera North debut as Cassandra, with Ronald Hamilton as Aeneas and former Ballet Rambert principal Lucy Burge in the mime role of Andromache. The prodnction is sponsored to the tune of £150,000 by IBM.

The other operas in the repertoire are *Madam Butterfly*, with Russian soprano Natella Rom, aung in Italian, and Giles Havergal'a new production of *The Barber of Seville* in a new translation by Robert Dsvid MacDonald, designed by Russell Craig and conducted by Clive Timms. *The Barber* is a co-production with Vancouver Opera and the Welsh National Opera.

All three productions will go on tour to Nottingham, Manchester and Hull.

Arts Guide July 25-31

Opera and Ballet

TOKYO

An Evening of Flamenco: Star line-up of dancers from Spain as part of the Japanese fascination for this extrovert, flamboyant form, their envy of qualities sublimated here for enforced conformity. Hibiya Park Open-Air Theatre (Tue, Wed). (237 9999; 960 6060).

NEW YORK

New York City Opera (NY State Theatre): Summer opera includes new productions of Werther, Don Quichotte, The New Moon and the world premiere of Anthony Davis's X (The Life and Times of Malcolm X). It continues with Die Fledermaus, Carmen, La Bohème, Werther and The Pearl Fishers. Lincoln Center. (870 5800).

SPAIN

Santander international festival begins with the Paul Taylor Dance Co, premiering Schubert's Mercuric Tidings, Corelli-Cowell-Miller's Cloven Kingdom and Bach'a A Musical Offering, all choreographed by Paul Taylor (Mon); Ballet Nacional de Espana, Classic Section (Tue, Wed). Plaza Porticada 10.30.

LONDON

Festival Ballet in Giselle at the Royal Festival Hall. (928 3191).

Royal Opera House, Covent Garden: Bolshoi Ballet, Moscow, alternates Raymonda and Ivan The Terrible and on Thursday brings in the Golden Age, a political adventure which has to be seen for Irek Mukhamedov, Natalya Bessmertnova and Gediminas Taranda in the leading roles. (240 1066).

WEST GERMANY

Munich: The annual Munich opera festival runs to July 31 at the Bayerische Staatsoper. The last week starts with Euryanthe, in a concert version, with Martina Arroyo, Robert Schunk and Theo Adam; and continues with Der Rosenkavalier (Lucia Popp, Brigitte Fassbaender, Helen Donath and Kurt Moll); Otto Schenk's production of Les Contes d'Hoffmann (Trudeliese Schmidt, Neil Shicoff); and Die Meistersinger von Nürnberg (Lucia Popp, Bernd Weikl, Kurt Moll and Hermann Prey).

ITALY

Verona: Arena di Verona: La Fanciulla del West conducted by Maurizio Arena and directed by Ezio Zefferi, with Sofia Larson, Silvano Carroli and Vladimir Popov. Aida – for the fifth year running s revival of the 1913 edition of the opera – conducted by Daniel Oren. Natalia Troitskaya in the title role, with Fiorenza Cossotto as Amneris and Franco Bonisolli as Radames. Un Ballo In Maschera conducted by Gustav Kuhn includes Luis Lima, Maria Chiara, Silvano Carroli and Gail Gilmore. (28 151).

Ravenna: Rocca Brancaleone: (Ravenna Festival) Madama Butterfly conducted by Yoshinori Kikuchi with Veriano Luchetti, Juan Pons, Mietta Sighele and Monica Tagliasacchi (36161).

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Tuesday July 29 1986

Reviving the peace process

THE VISIT to Morocco last week by Mr Shimon Peres, Israel's Prime Minister, bas confirmed wbat has slowly been becoming evident—that several of the more pragmatic, moderata Arab leaders are now willing to contemplate direct negotiations with the leaders of a state wbose existence they for so long refused to accept. It is an important development, but one whicb carries as many dangers as it does opportunities.

King Hassan of Morocco is a skilled politician and his reasons for inviting Mr Peres for talks were not exclusively aimed at resurrecting the searcb for a solution to the Palestinian issue. But be was fully aware that the invitation would be seen primarily in that light by much of the international community. Equally he could fairly estimate that it would draw a bostile reaction from more radical members of the Arab community while perhaps strengthening the image of Mr Peres who, under Israel's coalition agreement, is dne to band over the premiership to the much less flexible Yitzak Sbamir in October.

The message for the Israeli electorate and for Mr George Bush, the US Vice President, wbo is in the Middle East this week, is that there migbt be a glimmer of hope with Mr Peres, but virtually none with Mr Shamir. It is a judgment shared by those Arab countries which can still contemplate a negotiated peace settlement.

Basic demands

The extent to which that message is received and acted upon is likely to influence strongly the political temperature of the region in the eoming 12 months. According to the Israelis, King Hassan agreed to further contacts. According to King Hassan his talks with Mr Peres failed because the Israeli premier would not concede basie Arab demands. There is nothing surprising or contradictory about either statement, but they do serve to underline how finely balanced the Arab-Israel issue is between further conflict and the hint, if not of a breakthrough, at least of further discussions.

Syria's decision to break relations with Morocco and King Hassan's response by resigning the chairmansbip of the Arab League (and thus the responsibility for attempting to organise a summit meeting) make it even less likely that any sort of Arab eonsensus can be reached on the Palestinian question. In turn, this raises the possibility that the majority of Arab states can at last break free from the effective veto imposed on them by the bardline nations which reject any contact with Israel.

This strategy has long been advocated by King Hussein of Jorden who more than any other living Arab leader has demonstrated a commitment to a negotiated peace. It could also provide the opportunity for Egypt to resume its rightful place at the centre of Arab affairs, while forcing Mr Yassir Arafat, the PLO leader, into a more emphatic choice than he bas so far bad to face.

However, the risks of walking down this particular path are all too obvious. Individual Arab leaders can be vulnerable to the extremist fringe whicb murdered President Sadat of Egypt and was quick to threaten the life of King Hassan. Although no leader can be guaranteed full protection, the best response to extremism is the enthusiasm of publie support whicb could atem from the belief that a Middle East peace settlement is still possible.

Occupied territories

The nation which can make the biggest contribution to fostering that perception is, of course, Israel. If Mr Peres really belleves his assessment that "we stand before an exciting new chapter in the Middle East peace process," it mnst suggest that he is willing to withdraw from the occupied territories in return for peace, the most fundamental Arab demand and the basis of all UN Security Council resolutions.

With Mr Shamir, who voted against the peace treaty with Egypt, waiting in the wings, there is every reason for moderate Arabs to be sceptical abont the message from Israel. But Mr Peres, with a working majority in the Knesset, could yet provide the additional encouragement for some Arab states to belleve that the risks involved in negotiations were worth taking. If the meeting in Morocco was a step in that direction it will hava been a notable achievement. If not, then it will be grist to the mill of extremist propagandists who argue thot Israel bas no intention of relinquishing the territories it seized nearly 20 years ago.

New medicine for the NHS

THE National Health Service is a mere 38 years old this month — much too young for any gloomy prognosis of terminal illness to be ligbtly accepted despite the fact that it has been ailing now for years. Closer examination of tha patient suggests that, far from being close to expiry, the NHS is exhausted from the burden it bears as the result of its achievements. It needs all the help it can get — including a large dose of self-belp.

Britain was the first country to offer universal medical care free at the point of delivery to the entire population. Aneurin Bevan, the minister wbo introduced the service, summed np its aims: "Medical treatment and care should be made available to rich and poor alika ln accordance with medical need and by no other criteria."

Bold ambition

This bold embition bas been fulfilled by e service whicb remains in many weys a model of its kind. But the world has moved on since 1948. Both the aspirations of a medern industrialised society and tha rapid and expensive developments in bealth technology dictate that a wider "mixed economy" perspective might now be taken of bealth care than waa the case in the immediate post-war period.

Thia is already happening in e limited way with the growth of private hospitals and private bealth insurance. But there are dangers ahead for the private sector in the way things are going. The development of private health insurance, treatment and hospitals in Britain closely mirrors US developments with a five to 10 year time lag—long enough for lessons to be learned. Much of the glitter vanished from high-performanca US bealth care equities in recent years as spiralling insurance and medical costs provoked fiercc consumer resistance. A similar process has started in Britain. Both individuals and companies are jibbing at the vast increases in insurance costs. Some bospitals are pricing themselves into e bracket acceptable virtually only to wealthy foreigners.

Several of the free market economic institutes have been studying the ills afflicting the pnblic and private sectors. The Adam Smith Institute, for example, has argued cogently that tha US solution of bealth maintenance organisations should be applied in Britain. HMOs involve doctors and bospitals in the insuranoe process by giving them an incentive to cure and discharge patients as speedily as possible rather than to devise more and more expensive treatment procedures.

Patients subscribing, usually through an employer, to an HMO restrict themselves to doctors and hospitals in that plan. They never receive a bill and the HMO contracts to provide all the medical care they need, putting pressure on all involved in health delivery to be as efficient as possible. If costs in one HMO rise too quickly the individual and employer can switch to another. It works. Just over 8m people were covered by 215 HMOs in the US in 1979; now the figure is 19m in 398 HMOs.

The transfer of the idea to the British market would widen the appeal of private bealth care and maka it cbeaper, thus relieving some of the pressure on an NHS wbicb is nnlikely ever to receiva the level of government investment needed both to be e universal provider end to keep up with modern medical technology.

Sharp management

A more radical development of HMOs might be to apply the principle within the NHS itself as a mechanism for indncing competition and for breaking down bureancracy. GPs could contract with eacb other aod certain bospitals and specialists, recelving a premium from the Government for eacb patient attracted to the acheme. In return this "pnblic" HMO would deliver all necessary treatments; the empbasis would be on sharp managemant and not hospitalising patients unnecessarily.

The introduction of HMOs in both private and pnblic sectors coupled with an imaginative commitment to streamline bureaucratic procedures in the NHS might just be the medicine needed to cut Britain's bospital waiting lists and to give the NHS a chance to breathe, recover and develop new energies.

US STEEL PRODUCERS

An industry at the breaking point

By Terry Dodsworth in New York

TRACKING BACK over the history of American steel manufacturing is lika charting the fall of a well-heeled aristocrat from the bereditary mansion to the poor house.

The industry that was put together by the great steel barons of the 19th century, which gave the world its first $1bn corporation at US Steel 85 years ago, and whose power and infinence once cast a shadow deep into the White House, is now a spent force, as outmoded as the abandoned blast furnaces that litter tha Pennsylvania countryside.

This month'a bankruptcy petition by LTV, the second largest US producer, was both a vivid and an inevitable marker of this decline. For months executives had been expecting one of the top companies to give way to the mounting pressures that bave left the industry'a collective corporate balanca sheet in tatters. Yet the announcement was greeted with almost shocked disbelief by the American public—a measure of the man-in-the-street's perception of the steel industry as an all-powerful monster with virtually limitless resources.

In their beyday, US steel manufacturers did things in a style that has rarely been equalled in American corporate history. Stories of the industry's arrogance and self-indulgence are legion. Bethlehem Steel's top brass, for example, is said to have developed such a passion for golf at one time that wben the company came to lay down the last large-scale integrated works to be built in the US—the Burns Harbor plant on Lake Michigan in 1962—it put in tha golf course first.

In their heyday, US steel manufacturers did things in style... Today, much of the clout and all the glamour have gone

For many Americans, particularly Democrats and most particularly Democratic Presidents, who have had some famous tussles with the industry over the years, steel has been a long-standing symbol of overwhelming corporate power. Thia attitude partly derives from the perception of the industry as an oligopoly led by US Steel (just renamed USX), and partly from the sheer size of US Steel itself, a bureaucratic giant which used to be fabled for its aggressive instincts and desire to control everything it touched.

Very early in its existence, the company was attacked (unsuccessfully) by the Justice Department under the anti-trust laws, and since then steel manufacturers have been the object of more suits than any other US industrial sector. "It was almost as though you won your spurs in the Department by attacking steel," says Mr Paul Tiffany, assistant professor of management at the Philadelphia-based Wharton Business School.

Today, however, much of the clout and all of the glamour in the industry have gone. The days when steel paid better than anything else — Bethlehem was once lambasted in the business press for a perks system that placed 11 of its executives among tha 15 highest-paid US managers — have long since disappeared. Next year, the American Iron and Steel Institute (AISI), the first big industrial lobbying organisation of its kind, which is once said to have run the biggest corporate PR budget in business, will save money by abandoning its annual conference at the Waldorf Astoria hotel in New York for cheaper quarters in Washington.

"In the mid-1950s, landing a job at US Steel was like getting employed by IBM today—it ettracted the crème de la crème," says Prof Tiffany. "Today, if yon accepted a job in s steel company, you wouldn't want anyone to know." The roots of the change in the fortunes of the industry go back at least a quarter of a century, although few people saw it at the time. During the 1960s, the big US integrated manufacturers suffered setbacks across a broad front on issues that were to chip away at their competitiveness and come back to haunt them in later years. Perbaps the most crucial of these was a radical alteration in the balance of supply and demand.

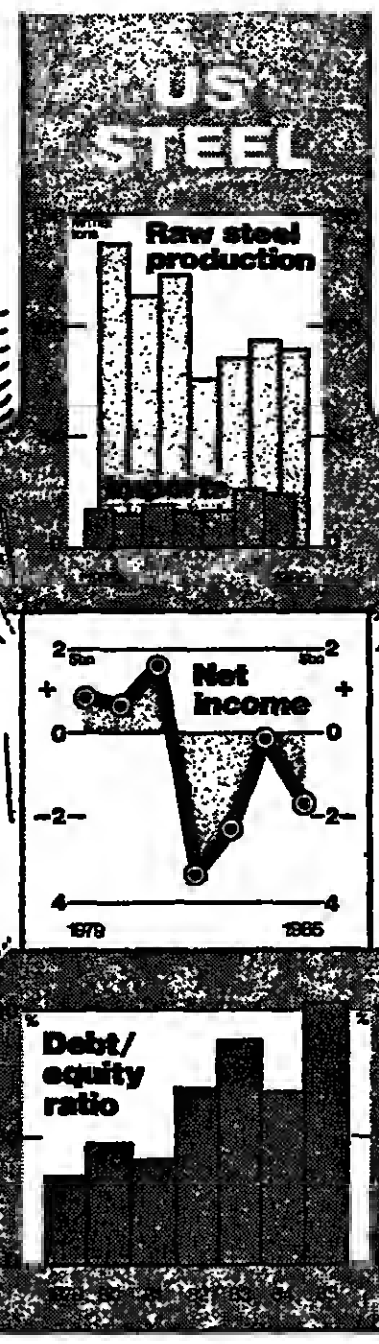
On the supply side, many integrated plants began to come on stream in Japan and Europe producing good quality, cheap steel for export. By 1985, imports had captured around 25 per cent of the US market.

At the same time, the post-war expansion of US steel demand began to tail off, leaving the US companies with a market of only anaemic undarlying growth. According to the US Department of Commerce, the ratio of steel consumption to real gross national product has declined more than 3 per cent annually since 1965, in part because of substitution of other products for steel, but more importantly because of the relatively slow growth of leading steel-consuming industries.

Some of the key clients have cut their use drastically. At its peak, tha US motor industry used to take between 22m and 23m tons of steel a year. It now buys about 12.5m tons, while the container industry has cut its intake from 7.5m tons of tin mill products to 4m as aluminium bas won the beverage can market.

To make matters worse, Japan and other overseas competitors were able to take a technological lead in the 1960s because their buoyant domestic markets demanded spending on new capacity, pushing them into a virtuons circle of self-supporting reinvestment just at the time when it became more and more difficult for the US companies to justify expenditure on new plant. Steel began to provide a living proof of the old edage that if yon stop growing you start to wilt.

"If you are not in a growth situation, it becomes difficult to sustain new investment and this in turn means that it becomes harder to remain at the front of technology," says Mr Louis Schorsch, senior research consultant at McKinsey's office in Pittsburgh.



The industry's financial ability to invest in competitive technology was undermined by several other factors—a flurry of price controls, regulations which forced management to put money into anti-pollution devices rather than new plant, the ratchetting up of wage rates and the rise of the mini-mills.

In 1974, the chairman of US Steel noted that over a period of 10 years the group's return on sales had fallen from 9 per cent to 4.6 per cent, a decline which he blamed squarely on government price restraints. On the labour front, the news was no better. A new no-strike clause was signed with the United Steelworkers Union, but the quid pro quo was an automatic cost-of-living increase clause which began to bite just at the time that inflation was taking off in the US. By the end of the 1970s, steel workers were earning 50 per cent more than the average US industrial employee.

It is against this background of underlying decline that tha industry plunged into the 1982 recession and was thrown into a tailspin from which it has not yet recovered.

The four ensuing years of agony, characterised by oversupply of steel and beavily discounted prices, bave already brought vast changes to tha shape of steelmaking. Mini-mills, using only scrap steel in generally small, non-union plants, have seized their chance and captured more than 20 par cent of the market, embracing virtually all of the country'a rod and wire business. Integrated manufacturers have slashed raw steelmaking capacity from well over 150m tons in the mid-1970s to around 135m tons. They have cut payrolls, reducing employment from almost 400,000 in 1981 to 200,000 today, and trimmed the generous waga contracts that used to set the industry apart from other manufacturers.

Yet this period of retrenchment has in many ways put the industry in a more precariously exposed position than when it started. The cash baemorrhage has left the steel manufacturera living on a hand-to-mouth, day-to-day basis. Over the past four years, about $7bn has flowed out of the industry in losses, wrecking balance sheets built up during decades of prosperity.

US Steel and Bethlehem have each taken single $1bn write-offs, to say nothing of several other charges. By the end of last year, the deadly combination of enforced borrowing and equity reductions bad left the US steel producers in a dangerously indebted position, with borrowings standing at more than 100 per cent of sharebolders' funds.

The question now posed is wbether other manufacturers will be forced to go down the same road as LTV. None has as yet boxed itself into quite the sama corner as tha Dallas steel-maker, but several are not far away, and they face the same crucial dilemma—that reorganisation costs money. They need to close down more high-cost plants to reduce their losses, yet their balance sheets cannot afford additional write-downs—it costs in the order of $100m to $400m to shut a large integrated steel business which no one wants. "The exit cost is horrendous," says one executive.

The solutions the industry has tried to this Catch 22 situation have not worked so far. Tha merger approach, applauded two years ago when LTV took over Republic, has ended in catastrophic failure. The diversification strategy followed by several other companies has scarcely yielded sparkling results — Armco has now extricated itself from insurance, and US Steel's acquisitions of Marathon and Texas Oil and Gas have only dug it deep into a sector in recession. By and large, the steel companies do not bava the managerial or financial resources to play the diversification game in a sufficiently bold manner to make a difference to companies of their size.

Where the industry appears to be doing better is in forging alliances in the business it knows best — steel itself. A number of these deals has appeared over the past few years, soma between domestic producers, but more interestingly bringing in several overseas manufacturers—in coating processes, LTV is linked up with Sumitomo, National with Nippon Kokan, and Wheeling-Pittsburgh with Nisshin. USX has recently spun off its Californian plant to a joint project owned with Pohang of Korea and supplied with Korean semi-finished products. These deals bring two scarce resources — technology and finance—to the US producers.

"The logic of this approach is to make companies more open to the global integration that exists in just about every other industry," says Mr Schorsch.

It is a measure of the strength of tha capitalist ethic in the US that tha question of Government help to try to engineer a soft landing for the industry has hardly been seriously raised as yet, although there are two obvious routes for intervention. The first would be to toughen the present bilateral import restraint policy so that it quickly attained the 18.5 per cant market share target.

The second possibility would be to help the industry towards a controlled reorganisation lika the Davignon plan in Europe, or at the very least give it financial backing that would make reconstruction easier.

By and large, the steel companies do not have sufficient resources to play the diversification game

Neither of these options, bowever, looks likely to be pressed very far by the present Administration. Indeed, some supporters of tha Government's policy of benign neglect see it as a paradigm of the nasty, yet ultimately bealthy, things that happen to oligopolies. They point to the mini mills and the smaller, more market-orientated companies that are emerging from the current reconstruction as evidence of an appropriate move towards more flexible, competitive organisations.

It will be interesting to see whether this mood of detached approval will withstand some of the bloodletting that may come if present conditions persist. Some analysts fear that a wave of competitive bankruptcies is about to break over the US industry with eacb company trying to force down its costs through the courts. Virtually everyone is convinced that a further 25m tons of capacity need to be knocked out of production to establish a sound balance of supply and demand.

There might, in sbort, be some rough riding ahead. Nothing could be more indicative of this trend than US Steel's decision to turn itself into USX and clearly mark off the boundaries of its steel division as e separate entity. The company that bas led the US industry all this century has bung a sword of Damocles over tha future of its most famous division.

Men and Matters

New jobs for old ministers

What happens to a former cabinet minister who loses his job and sees no prospect of regaining high office?

A life on the back benches seems to pall, and increasingly the option of leaving politics and taking up another career seems attractive.

Patrick Jenkin has now said he will step down at the next general election—the sixth former member of Mrs Thatcher's cabinet to decide to depart within tha past few months.

The list of the old cabinet bands now in exile must start with James Prior (now chairman of GEC and author of what is expected to be a lively book of memoirs to be published in tha autumn).

Then comes Sir Keith Joseph (now pondering on politics, and starting to take up some business consultancies), Norman St. John-Stevas (developing another career in the world of the beritage and the fine arts), Sir Humphrey Atkins, and Francis Pym.

In some cases retirement is a matter of age. Bnt Jenkin, who will be 60 in September, feels that, with his chances of returning to government remote, be still bas some years left to develop a business career. A middle manager at Distillers before entering the Commons in 1964 be has already joined the board of Friands Providant, and will become chairman within two years.

He has a consultancy with Arthur Andersen, but bas turned down "a number of quite lucrative offers as a parliamentary advisar." Jenkin would prefer to be involved in running companies. Also be has "one or two other irons in tbe fire" which may now develop given his intention to leave Parliament.

Jenkin's departure leaves seven other former members of Mrs Thatcber's cabinet who are still planning to stay in the Commons. Some like Cecil Parkinson and Leon Brittan, bave hopes of returning to the cabinet if the Conservatives win the next election. Others like Sir Ian Gilmour and Michael Heseltine rest their bopes on a change of regime.

From a younger generation, David Howell is busy writing, speaking, and acting as an economic consultant. Finally, the plans of Peter Rees and Mark Carlisle are being watched closely at Westminster since both may face tough figbts to bold their seats.

The departure of those ex-cabinet ministers plus other leading Tories such as Geoffrey Rippon and Sir Edward dn Cann marks a changa of generation in the Conservative party. It also poses a problem for Mrs Thatcher since all those ex-ministers are entitled, by past precedent, to expect a lifa peerage.

The numbers are now getting so big that some of them will bave to be disappointed unless Mrs Thatcher wants to flood the Lords to ensure solid majorities there. But can she rely upon all those ex-ministers to be loyal?

US recruit

John MacArthur has not stayed out of the hot seat for long since being promoted in January out of Kleinwort Benson's corporate finance department to the more sedate position as director responsible for business development.

Fifty-one-year-old MacArthur is the fourth senior figure at Kleinwort Benson to be lured away by a rival over the last year and the second to go to a US institution aiming to break into the City. After 26 years et Kleinwort, he has been appointed by Prudential-Bache Securities to set up a new merchant banking operation in London.

During his five years as deputy head of Kleinwort's corporate finance division, MacArthur was involved on either side of two tussles with powerful newspaper proprietors over attempts to flush out the true owners behind major corporate take-over bids. Both were ultimately unsuccessful.

In the first, he riled Robert Maxwell, in his bid for John Waddington, by demanding to know the beneficiaries of a Liechtenstein trust that owns Pergamon Press and Mirror Group Newspapers, both managed by Maxwell. In the second, be stonewalled in response to a barrage of questions from Lonrho's Tiny Rowland abont the financing of the Al-Fayeds' acquisition of the House of Fraser.

Although his reputation is based on his corporate finance record, he has some general management experience and was the chief architect of Kleinwort's acquisition of stockbrokers Grieveson Grant in preparation for Big Bang.

"It would be a nice gesture te give Sir Geoffrey the Marathon Gold Medal"

Murphy-style

A prolonged soak in the British washing machine business has tanght Paul Murphy, managing director of Candy, a thing or two about kitchens. His regular visits to group headquarters near Milan have also belped him cultivate quite a sense of style — as demonstrated by his taste for Giorgio Armani's tailoring.

Preparing to leava after 12 years building sales of Candy and Kelvinator domestic appliances for his Italian masters, Murphy intends to don his designer "wellies" and apply the fruits of his education in the housing trade.

His new private company will provide a service to allow more of the 4,000-odd house-builders in Britain to share in the boom for new dwellings which come to market fully fitted, furnished, and ready for occupation.

Only a few of the bigger builders are currently able to offer such design and installation services. Murpby says be has been encouraged by his experience supplying Candy appliances to builders, and their mounting demands for products and services outside the company's range.

"I'm an expert on toilets," be claims. His bunt for suppliers of appliances, sanitary-ware, furnishings and fittings has taken him to many overseas suppliers. "It's the sama old story, I'm afraid. In Britain we don't seem to be able to beat the designs, styles, and prices you can get abroad."

Judgment seat

When the present Parliament was elected, I asked a new MP for his impressions. "Amazement at how I ever got bere," he replied. Meeting him again as the Commons went into recess, I repeated the question. "Amazement et how the others got bere," he said.

Observer

Letters to the Editor

Salaries in the City

From Mr G. Lapsley

Sir,—Clive Wolman (Lombard, July 14) takes the view that company directors and pension fund trustees pay City institutions too much for too little, thus permitting them to overpay their staff. This state of affairs, he argues, could be dealt with if the "clients" demanded better value for money rather than that market forces be relied upon to bring abont profit and salary reductions.

As a general point of view, demanding valne for money in any field is a weapon which is only effective to the extent that the market is free. The City is much freer than many markets in the UK. Any finance director or pension fund trustee will find no shortage of competing Institutions ready to maka a sales pitch for their business if they feel any reasons for dissatisfaction.

While considerable amounts of money are being paid in the City to traders, market makers and dealers (much of it as performance related or deferred bonuses) it is wrong for Clive Wolman to associate six figura salaries or Porsche-type *comments* with pension *fund* managers. While their salaries are high in UK terms they are not abnormal in City terms. It is also incorrect to infer that pension fund business is generally overpriced and highly profitable. Pension fund management is very competitive end can he closely monitored through comparative performance statistics.

With regard to pension fund managers' apparently poor performance compared with the Financial Times All Share Index, pension fund trustees generally seek conservative investments, avoid speculative opportunities and to a greater or lesser extent, limit managers' discretion. This may *not* explain or excuse poor performance but it is an important factor in the level of performance actually achieved.

Credit, however, where credit is due. Clive Wolman has understood the function of analysts and described their role succinctly. They do aim to induce fund managers to accept their recommendations and to act accordingly. But as Clive Wolman should know, analysts specialise in sectors or geographical regions and it would not be beyond tha wit of even the "unemployed teenager" to pick up inconsistencies in analysts' recommendations. One important effect of Big Bang which Clive Wolman did fail to comment on is the probable reduction in income to fund managers from commissinn differentials. He should have advised finance directors and pension fund trustees to watch this area very closely because this, and not the analysts' recommendations, may cause "*shifting around*" in portfolios.

Why then are some City salaries so high? Because some institutions, with notable exceptions, are competing for key staff whose remuneration expectations and comparability considcrations are international. Also those same institutions believe they will only succeed by being well positioned on the starting line for Big Bang.

G. N. Lapsley.
MCP Management Consultants,
51 Gray's Inn Road, WC1

Airports in demand

From Professor V. Korah

Sir,—From time to time you report problems about the number of planes that want to use Heathrow and Gatwick and the efforts of the Civil Aviation Authority to encourage charter airlines and others to use other airports.

In the United States the Antitrust Department advocates the use of a market mechanism to allocate the slots at Kennedy Airport. Can demand not be brought down to supply in this country through the charges made et the different eirports around London? Why are the differentials insufficient to discourage over use of the two main airports?

(Professor) Valetine Korah.
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Views of Latin America

From Mr S Sanders

Sir,—Your editorial (July 22) is a pristine example of British "right-left" as Orwell described lt, of ignorance about the real situation in Latin America, a perfect example of the tendency of British observers to fall into familiar patterns of primitive anti-Yanqui prejudice so *common to the Anglo-Latin communities* all nver the continent. Granted that Washington has a muddled policy toward the Marxist-Leninist regime in Nicaragua, you heve failed on several points.

The Sandinistas would never have come to power without US support. It was the arms embargo against Somoza—including tha cutoff of Israeli weapons due to American pressure—that brought him down to a force less than a quarter of the present Contra *guerrillas*. That was, however late, a recognition by the US of the need to move toward a liberal regime in Nicaragua.

The US did not isolate the regime initially. It supported it with more than $500m in loans and a renegotiation of its external debt.

The Sandinistas did not commit "all too human errors" etc as ynur editorialist writes. They set out, immediately, hy throwing off their mask of pluralism *to sign their first international* agreement on coming to power as a party-to-party agreement with the Communist Party of the USSR. Political and economic suppression began immediately as well as political murder; does your editorialist aven know about the case of the ambush of the leader of the cafeteros, an anti-Somoza leader?

There is nothing quaint abont the Sandinist and US perceptions of one another. The Sandinistas are building strategic air bases for the Soviets with the help of East German, Cuban, Vietnamese, North Korean, etc., technicians in the traditional and well-known Soviet satellite *fashion*. The US, as e great power end a democratic society, finds it difficult to simply take up out-and-ont war to destroy a regime which is simply one more European (Russian) attempt to extend imperialist designs to *this* hemisphere (*pace Monroe* Doctrine).

America's allies are uncomfortable, as you put it, because they do not want to face facts—not in Nicaragua, not in Libya, atc, etc. It is another case of European rationalisation, bolstered by the trendy media left-wing concepts that, alas! even invade a paper as well edited and as important as The Financial Times. So we are back to Orwell's "right-left" and my No. 1.

Sol W. Sanders.
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New York, NY10018.

Design of pension schemes

From Mr I. Walker

Sir,—Pensions advisors and actuaries must accept some of the blame for the present state of pensions and pensions legislation, hut my letter (July 16) was not meant to absolve the government and employers entirely. The design of some pension schemes has not proved satisfactory, and this is especially so in respect of employees who leave the service of their employer before retirement. Employers have not given these employees priority as Dennis Blair pointed out (July 22) and there is little to indicate that the professionals within the pensions industry have done much to persuade them otherwise. A belated apology from the National Association of Pension Funds, that it was wrong to oppose any revaluation of deferred benefits *is little consolation* to the employee who has changed jobs.

Unfortunately the amount of legislation has led to many difficulties and more importantly, has stifled the development of alternatives to the present system.

The Government's role should be to set the scene for investment in pensions and encourage employees and employers to make provision for their retirement. This should not mean that *they* remove entirely the employers' rights to discriminate between employees whn remain with them until retirement, and those whn leave earlier.

The Government should separete out the employee and employer interests in pensions. For example, employee contributions could be kept entirely separate from those of the employer in separate arrangements unless the employer contribution is directly allocated to the individual end cen thus be seen to be effectively deferred pay.

Were this to be the case, it would he possible to have: non-contributory employer sponsored schemes that could include long vesting periods even to the extent, as was the case in the past, of not providing eny pension benefit until death or retirement, whichevar is the earlier; employee contributions and directly allocated company contributions paid either into personal pension plans nr on a strict money purchase basis into a "company" scheme; and the state earnings related pension phased out by encouraging new genarations of employees to opt out of it.

A first step would be to raise the overall Inland Revenue limit of two-thirds final salary pension limit and remove the special limits on short service and leaving service benefits. This would avoid any possibility of employees feeling that if they contribute to thoir own plan, they may not get a benefit from it because the combination of their plan and that of the company could theoretically exceed these arbitrary maxima. Employer sponsored plans should be *non-contributary* and it should be made virtually impossible for moneys invested in this type of pension fund to be returned to the employer. These funds could then only be used for the payment of pensions. The company would, however, have much greater discretion in deciding on its payment to its former employees.

Those who criticise the idea of money purchase pensions and cite the failure of previous schemes to produce adequate pensions hy this method are ignoring the advances in computer technology and the growth of the unit trust industry. If an employee pays adequate contributions throughout his working lifetime to provide a pension at retirement, there *is no reason* why he should not receive an adequate pension. This is not to say final salary schemes have no part to play in pensions. The situation with money purchase plans is, however, akin to refusing to consider microchips on the basis that the "cat's whisker wireless never worked very well, and we all know that valves replaced them." The modern money purchase vahicles are a new hreed, but still the same animal as those of the past.

Iain B. Walker,
89 High Road,
South Woodford, E.18.

Disenfranchised and debarred

From Mr A. Denham

Sir,—With reference to the correspondence on expatriate voters, we who have been resident in another EEC state for more than five years not only cannot qualify for the vote in GB and do not qualify in our *country of* residence *but* are also most unjustly excluded from voting in elections for the European Parliament.

Both states (Great Britain and Federal Germany) are, however, I believe parties to the International Covenant on Civil and Political Rights. Article 25 of that covenant prescribes that "every citizen shall have the right and opportunity . . . to vote and to be elected at genuine periodic elections which shall be by universal and equal *suffrage*. . . ." This right is denied to many British citizens resident on the Continent of Europe and elsewhere. Moreover, according to a protocol to the covenant, it is provided that "a state party to the covenant that becomes a party to the present protocol recognises the competence of the (Human Rights) Committee to receive and consider communications from individuals . . . who claim to be victims of a violation by that state party of any of the rights set forth in the covenant." Great Britain, it seems, has not adopted the protocol (though *many democratic states have*).

Hence not only are we denied the vote, we are also effectively debarred from submitting our case to the relevant international tribunal.

Alan B. Denham.
Johanneskirchnerstrasse 162,
8000 München 81,
West Germany.

Sponsors for literature

From the Director,
National Book League

Sir,—In his article on arts sponsorship (July 19) Antony Thorncroft writes: "The Booker Prize may be the classic example." It has indeed won world-wide publicity, as we who administer it know. But despite its success few companies have been tempted to sponsor literature rather than music, opera, drama or painting. Yet the sums involved are minnte compared to those for the other arts and the publicity spin-off, as we have shown in the Booker or Smarties prizes (Rowntree-Mackintosh) is very considerable. Why are major sponsoring companies so shy of literature?

Martyn Goff.
45 East Hill, SW18

A drawing disliked

From Mrs M. Graham

Sir,—I have been a reader of the Financial Times for many years and always enjoy the articles, including those of Malcolm Rutherford. On July 19 be wrote a very interesting articla on tha Queen but it was spoilt for me by the appalling drawing of her. We are extremely lucky to have a Royal Family instead of a dictator or a series of presidents. The Queen does a very difficult joh wonderfully well.

(Ms) Maureen Graham.
2 Castlegate Mews,
Castlegate,
Prestbury, Cheshire

A high degree of autonomy and Hong Kong's future

From Mr M. Lee, QC

Sir,—With reference to two articles appearing in your survey on Hong Kong published (June 26) entitled respectively "Quest for stability" and "Bumpy road ahead under Peking's watchful eye," I feel that I must set the record straight.

I have always maintained and still maintain that Mr Deng Xiaoping's solution for the Hong Kong problem, namely, "one country two systems," has no chance of success unless the future government in the Hong Kong special edministration region is so structured that those in power can actually exercise thst high degree of autonomy promised to the *people* nf Hong Kong in the joint declaration made between the Chinese and British Governments. For the only way to keep the two opposing systems of socialism and capitalism apart is to reduce to a minimum the likely attempts from the People's Republic of China to intervene in the internal administration of the Hong Kong SAR. And only a truly representative government which has the mandate from and therefore the backing of the people of Hong Kong can achieve this result.

Bnt there can be no true representative governmant unless e substantial number of the members of the legislature are alected by popular vote, thet is, "one man one vote."

In September 1985, Hong Kong *introduced* the *first* ever elections into the legislative council by using two methods, but neither was direct election in the form of one man one vote. The first was by "electoral colleges" which is an indirect way of election whereby members of local district boards (similar to your local councils) elect one of their own members to sit in the legislative council. The second was by specified groups called "functional constituencies" consisting of, for example, bankers, businessmen, lawyers, doctors, engineers, teachors and workers, each group electing one of their own members into the legislative council. The franchise of such form of election *is by its very nature extremely* limited. The 1985 election was nevertheless a great improvement on the long established eppointment system, but clearly the present system could not produce a truly representative *or democratic government*.

To this end it is incumbent to *introduce direct election of* "one man one vote" in our next election to our legislature in 1988. But as we are going to introduce a new method of election and as there are still some people in Hong Kong who are opposed to its introduction, I have always advocated that as e first step towards democracy there be 25 per cent of directly elected seats in the Legislative Council in 1988; with the rest of tha seats to be filled equally by the existing three methods of electoral colleges, functional constituencias and appointments.

I have been consistent in making this demand. I have not pressed for anything more than 25 per cent of directly elected seats for 1988. Nor have I ever said that as a final model I would be happy with "just 25 per cent of the seats on the council to be filled in this way." It is not fair to suggest that I have made any "compromise" or that I have been "shifting (my) views" on this crucial question. Nor is it fair to say that I have become less vocal "in my demands for democratisation."

It is most unfortunate that your correspondents have mis*interpreted my position. They* obviously did not hear or read *my maiden speech delivered* in the legislative council on November 27, 1985 when I made exactly the same points.

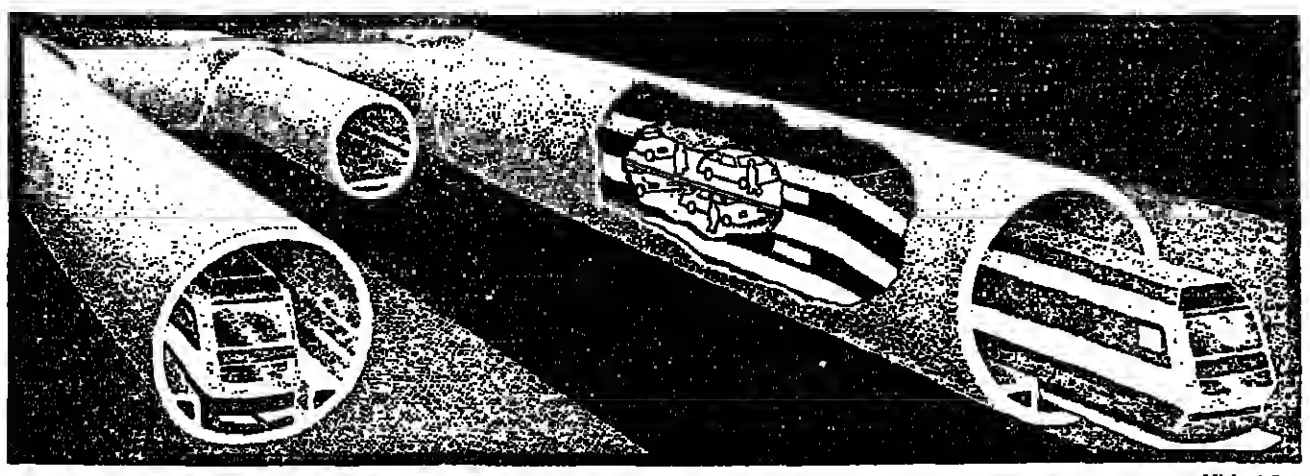
Sir, I see that e truly representative or democratic form of government with a substantial number of directly elected members in the *legislature to* be absolutely essential to secure a high degree of antonomy for the future SAR. I hava never changed from this stance. Indeed, many members of both Houses of Parliament who spoke in support of the ratification of the joint declaration did so on the basis that there would be a representative or democratic government in Hong Kong.

Let the British people know that there are still many people in Hong Kong who *hold* the view that it is the responsibility of the British Government to champion "democracy as the territory's only true safeguard against potentially arbitrary rule from Peking" (Chris Sherwell). Yes, we do have "a bumpy road ahead;" but please do not make it any bumpier.

Martin C. M. Lee.
704a Admiralty Centre,
Tower 1,
Harcourt Road,
Hong Kong.

The Channel tunnel

Bridging the image gap



Michael Daley

IS THE Channel Tunnel *running* out of steam? The Anglo-French consortium which in January won the mandate to build a £2.4bn rail tunnel between Britain and France has recently been beset by political and financial problems.

Exciting investor interest in a scheme which will be one of the world's biggest construction projects is proving a struggle.

The consortium, which goes under the name Eurotunnel, has postponed a planned £200m share issue because lt has been unable to agree the terms of loan agreements with 38 international hanks. Eurotunnel says the flotation, originally planned for early June, will now not take place until September or October.

But an *informal* poll, hy tha Financial Times, of 25 of the largest British investment institutions shows that at least 10 of the biggest pension fund and insurance groups have already decided they will not invest in tha issue, whenever lt is held.

And ln the British Parliament the tunnel, having only just escaped being knocked off course by a procedural row, faces a record numher of objections. The Commons select *committee hearing evidence* on the Channel Tunnel Bill has received some 4,845 submissions against it.

The consortium claims the frustrations are no more than normal irritations expected at this early stage. Opponents say they reflect fundamental flaws in a project which is ill-conceived and will be a costly failure. So who is rigbt?

Eurotunnel has, at the very least, the British Government firmly on its side and, the scale of parliamentary opposition can easily be exaggerated. Dissent among Conservative MPs has been noisy hut has lacked substance. Most Labour MPs are unlikely to vote down a development strongly supported by the rail unions, and which will sustain thousands of jobs during the tunnel's construction.

Last month's overwhelming vote in favour of the Second Reading of the Channel Tunnel Bill — by 309 to 44 with Labour MPs abstaining — is perhaps the best barometer of the current balance of political thinking.

The Bill is generally expected to become law by early next summer. This would allow treaties and formal agreements to be signed ln time for work to start on the tunnel by the autumn.

Eurotunnel's supporters worry about the effects of any slippage in what is a very tight *time-table*. They fear the tunnel could be lost if a British general election occured before legislation was in place.

Concern over the financing of tha tunnel is, however, more serious. The consortium denies lt has suffered a serious setback by postponing this month's share issue. Rather, it says, it has paid the penalty of being too optimistic about the length of time it would take to conclude banking arrangements.

Eurotunnel plans to arrange more than £5bn in bank loans and standby credits provided it can raise at least £650m in equity. The aim will be to raise a full £1bn in equity with a major public issue of around *£800m* planned for next summer.

Lord Pennock says the banks have taken longer than expected to agree details of the main construction agreements, known as "term sheets," which should pave the way for the signing of e full loan agreement at the beginning of next year.

"Construction companies want contracts to be as loose as possible to give them room to manoeuvre end a get-out if things go wrong: while banks want to ensure it is not them who will foot the hill. But there ls little douht we will get there in the end," said one international banker.

What is far from clear is how many institutions intend to support Britain's share of the placing (about £70m of the £200m) whenever lt is held. The issue ls whether the financial returns being offered to investors justify the risks.

The FT's informal poll, condncted between July 23 and July 28, revealed that less than a *quarter* are actively prepared to consider investing in the project. The hulk of the remainder are either steadfastly opposed or are extremely sceptical about the rates of return offered hy the consortium.

Only six institutions said they were prepared to invest in the antumn flotation. Of these, two were extremely cautious abont the project's chances of success and said they were prepared to invest only a small proportion of their total funds as a means to get "their foot in the door."

Ten funds said they would not consider investing in the project at all. They were concerned that dividends would not be paid until 1993, at the earliest; they believed that the risk of things going wrong was extremely high. Nine were undecided, but said they were sceptical about the rates of return expected.

One fund manager for a natiooalised industry pension fund gave a flavour to the opposition to the issue: "We have lots of experience of things going wrong during the construction of major projects like the Thames Barrier. On top of this we have to consider what the ferry comoanies might do to try to price the tunnel out of existence once it opens. The ferry companies might fail hut investors in the tunnel would suffer in the process.

"The risks are too great and the *pay back period too* long for a pension fund to consider."

The findings are depressing but not disastrous for the consortium. Eurotunnel says that of the 45 selected institutions it approached last autumn—of which letters seeking support were sent eventually to 40—around 30 have agreed in principle to support the autumn flotation and the larger share issue planned for next summer.

But while the consortium may be confident of raising the £200m it needs in the autumn, next summer's £800m international issue (around £300m from Britain) may well be more problematical. That issue is planned to be a public flotation. The signs are that much needs to be done to improve the project's image if it is to be a success.

Andrew Taylor

FINANCIAL TIMES
Tuesday July 29 1986

PRESSURE MOUNTS FOR SUBSIDIES ON EXPORTS TO SOVIET UNION

Grain sales dilemma for Reagan

BY NANCY DUNNE IN WASHINGTON

PRESIDENT Ronald Reagan summoned his top ecooomic and national security advisors to a special meeting yesterday to discuss a contentious proposal to subsidise the sale of grain to the Soviet Union and other communist states.

The proposal to extend the Administration's so-called Export Enhancement Programme (EEP) to additional customers has aroused *bitter controversy both within the* US Government and between the US and some important Western agricultural exporters.

Farm state congressmen, facing elections in November, are putting increasing pressure on the Administration to permit subsidised sales to the Soviet Union, by far the largest buyer on the world grain market. But the plan has provoked opposition from Mr Eorge Shultz, the Secretary of State, and from key US allies including Australia and Canada.

Yesterday's discussion, which officials described as "very lively," resulted in no decisions. But few observers in Washington doubt that pressure on the Administration to do something to stimulate sagging farm exports and to help farmers, *struggling through their fifth year* of recession, will continue to mount. The Senate backed an extension of the EEP last week, and the House of Representative is expected to pass a similar vote next week.

To this end, two main possibilities are being considered: an extension of the EEP, or the payment of so-called "marketing loans" subsidies directly to producers.

Under the EEP so far, grain "bonuses" have been paid from government stocks to subsidise exports to selected countries – mainly in North Africa and the Middle East. The aim was to win back markets which the US claimed it had lost as a result of the European Community's export subsidies.

If it extended the progrmame to other buyers, however, the Government *would be going* into direct competition with other big grain exporters.

The Prime ministers of Canada and Australia have sharply criticised the plan during the past few days, and this week a delegation of Australian parliamentarians is going to Washington to lobby against it.

Last Friday, Mr Shultz also weighed in against the proposal, describing it as ridiculous and wrong. He said it would violate a 1982 agreement with European countries that Western trade with the Soviet Union would not be subsidised.

● The US plans to sell 66 Chaparral anti-aircraft missiles and five ground firing units to Portugal for $45m.

The sale to the Nato ally is expected to become official in 30 days without opposition from Congress.

The package also includes support equipment, spare parts and two Forward Area Alerting Radars to find attacking aircraft.

Prime contractor for the sale will be Ford Aerospace and Communications Corp. Reuter

Reagan nominee faces probe; Page 4

Howe tries to put on brave face as peace hopes fade

By Robert Mauthner in Pretoria

SIR GEOFFREY HOWE, the British Foreign Secretary, who is leading a European Community peace mission to South Africa, yesterday refused to admit failure in spite of all the indications that his proposals for a dialogue between whites and blacks in South Africa had been ignored in Pretoria.

Sir Geoffrey, who yesterday made an unannounced 30-minute visit to the black township of Soweto, on the outskirts of Johannesburg, said it was much too early to say how much progress he had made, since he would be seeing President P.W. Botha of South Africa again today.

However, ha did appear to resign himself to the idea that fundamental changes in South Africa were not just around the corner, when he said that "at some time, some South African government is going to be persuaded by somebody to take the key steps."

He could not say when, or in what circumstances, these steps would be taken.

The important thing, he said, was that he had been able to speak plainly and clearly in trying to emphasise the importance of the changes which his mission was urging.

The case he had been putting across on behalf of the EEC was the same case the Commonwealth and the US had been advocating. Its principal components were the release of Mr Nelson Mandela, the African National Congress (ANC) leader, and the lifting of the ban on the ANC and other opposition parties, as essential conditions for the starting of a political dialogue.

"If you are going to have a serious and genuine dialogue on the future of South Africa, then the black political leaders do need to be free to take part in those discussions," Sir Geoffrey said in a radio interview. "The longer discussions are put off, the greater becomes the risk of violence."

Sir Geoffrey's surprise six-mile drive through Soweto, the scene of violent riots 10 years ago, was decided on by the Foreign Secretary, in spite of the obvious security risks. Sir Geoffrey, who had visited Soweto for the first time 10 years ago, felt that he could not come to South Africa without obtaining an insight into the living conditions of the black population, officials said.

The Foreign Secretary earlier had a long meeting at the British embassy with Chief Mangosuthu Buthelezi, Chief Minister of the semi-autonomous KwaZulu homeland and a leader of the 1.3m Zulu-dominated Inkatha movement. Chief Buthelezi, who warmly welcomed Sir Geoffrey's mission, presented him with a 10-page memorandum, in which he set out his views

THE LEX COLUMN

Pirouetting Matilda

The recent performance of the Australian dollar has given new meaning to the phrase 'Down Under.' Clearly the breaching of the US 60 cent mark is something up *with which* the *Australian Government* will not put, judging by the series of measures which emerged from the Treasurer's office yesterday.

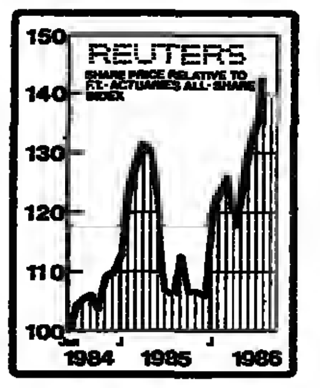
It is not obvious why the removal of the tax on interest paid on Australian concerns borrowing abroad should help the home currency, since the market for offshore Australian dollar paper has been blighted by all the Treasurer's rotations. The imposition of the 10 per cent tax less than a month ago struck the Japanese as unfriendly enough to provoke a bargain basement sale of Aussie bonds. This change seems no more than a panicked attempt to improve the image of the Government with overseas investors, no bad thing when Moody's is deciding whether or not to remove the country's triple A rating.

The appeal to overseas investors is supposedly reinforced by the removal of the minimum limit of 50 per cent Australian equity in indigenous manufacturing and property ventures. While this may attract Hong Kong investors looking for a home, the big industrial players would doubtless settle for nothing less than a complete dismantling of the Foreign Investment Review Board. Even then, the fundamental problem of high inflation, rapidly escalating current account deficit and labour rigidity makes new investment in Australian industry unattractive to the natives, let alone anyone investing in foreign currency.

The recovery of the Australian dollar from an all time low of US cents 57 yesterday to 81 cents probably owes more to the Australian Government's own support operation in the market than any international approval of the fiscal measures openly announced. The earliest occasion for a rational change in attitude to the currency would be *an ultra tough budget next month*, and even that would rest on the debatable assumption that industrial unrest could then be avoided.

Sterling

Not quite as exciting as a ride in the Australian bone-shaker, sterling has nevertheless begun once more to seem a currency that is running on an unattractive mixture



of political and petroleum risks. Since the springs are not particularly good, it is as well that the shock absorbers – the gilt-edged and money markets – did not have to cope with more than a modest bump yesterday. Whatever the right value for sterling, the other side of the next general election, neither the political nor the oil facts measured up to the rumour-content in yesterday's selling.

However implausible it should have seemed, speculation that Mrs Thatcher was resigning as Prime Minister still shook the currency markets early in the day, and it made matters no better when the real news – an operation on her hand – was published. Likewise, the virtual absence of trading in sub-$10 oil was no bar to the use of a venerable $5 scare-story to generate some turnover on the foreign exchange desks. The fact that only the distressed would go into the oil spot market during an Opec meeting should perhaps have occurred to somebody in the currency markets; that it did not do so exemplifies the suspension of commonsense that is required for silly-season crises.

Reuters

Like one of its screens, Reuters yesterday displayed a great many numbers without much interpretation. *Fortunately for such a highly-rated* company, the established trends in the figures seem to be continuing, with pre-tax profits in the half-year up by 32.4 per cent to £57.2m.

The market need not have worried, after all, that the recent share sale by Mirror Group Newspapers presaged bad news. Even so, that deal should not have been struck, however inadvertently, given Mr Robert Maxwell's position on both companies' boards. Though not insider dealing in the strict sense, the market drew obvious conclusions from Mirror Group's disposal. The *damage done* to the share price has only now been made good, with the shares closing yesterday at 503p, up 3p.

Reuters is a classic case of selling shovels in a gold rush. The tools needed in the global boom in foreign exchange dealing, money and securities markets are electronic information services. There seems no stopping the expansion of these markets, and Reuters is getting its Fair share of business as the figure for installed terminals, up 57.7 per cent over the last year, shows.

While traders in less happy places such as the Middle East and Latin America are having their *screens removed, growth elsewhere* has more than compensated. Although in North America Reuters is still struggling to win market share, the introduction of money dealing on screen in Japan this spring appears to have been a success. All this and price rises too have fattened margins even further.

The trouble will come if the gold rush ends or somebody markets a better shovel. Fixed exchange rates and the death of the Eurobond market seem unlikely at present. Meanwhile, Reuters is actively developing its service and making suitable acquisitions. However fast the cash is spent, more piles up: Reuters now has £166m earning interest at a rather lower return than it makes in business.

The effect of currencies on profits – 80 per cent come from abroad – may be positive in the second half as the Europeans matter more than the dollar. Pre-tax profits now look set to exceed £125m, against £93.6m, giving a multiple around 27. That may be high, but even the US placing this week may not dent it much.

VSEL shares

It is not clear that the submarine business, any more than the UK helicopter industry, is a fit subject for valuation on a multiple of earnings. But the listing particulars attending the Stock Exchange introduction of VSEL serve as a reminder that the risks were taken on board when the consortium was selling shares in April: on a pro-forma basis, the employees seem to have got in at three times earnings.

Cartel office clears Olivetti bid for VW's office equipment unit

BY DAVID BROWN IN FRANKFURT

OLIVETTI yesterday received the go-ahead from the West German cartel office for its planned takeover of Volkswagen's office equipment subsidiary Triumph-Adler (T-A), which had sales of DM 1.05bn ($500m) last year.

The deal, if concluded, will give the Italian office automation group a significant share of the West German electronic typewriter market and mark a further consolidation of Europe's office automation industry.

After some three months' deliberation over what a spokesman earlier termed a "critical" case, the cartel office said yesterday that the two companies' combined share of the domestic market would not be unacceptably large, to view of growing international competition, not least from the US and Japan.

Triumph-Adler controls the single biggest share of the market, with about 30 per cent, followed closely by Olympia. Olivetti has a further 10 per cent, as does IBM. Japanese producers Brother and Canon have made inroads, and now control some 3 and 7 per cent respectively.

The agreement covers the worldwide operations of Triumph-Adler, which also produces mini and personal computers although most of its revenue comes from office equipment, except for its US holding company and the Los Angeles-based Pertec Peripherals.

Volkswagen said it was unclear when the deal would now be finalised. "A whole series of points have yet to be decided," the company said, adding that final negotiations would not begin until late August.

Among the points that remain to be agreed is the price to be paid by Olivetti for VW's 98.4 per cent stake in Triumph-Adler, which has cost VW DM 1.5bn in losses since its 1979 takeover but moved closer to profit last year.

VW has already agreed to purchase an initial 5 per cent holding or 20m shares in the Italian group at between L18,000 and L21,000 ($12–$14) a share, but may increase its stake to 11 per cent.

Olivetti is one of Europe's leading office automation groups, with sales last year of L6,140bn.

Olivetti and Triumph-Adler said they would maintain their separate identities and product programmes after the merger but envisaged components exchange and purchasing co-operation as well as joint research and development.

Morgan Stanley earnings up 59%

By Terry Dodsworth in New York

MORGAN STANLEY, the US investment bank which went public earlier this year, turned in a 59 per cent increase in earnings in the second quarter of this year, despite what it described as "less favourable" market conditions in May and June.

Net income for the quarter amounted to $45.5m, or $1.82 a share, on which the group is to pay its initial quarterly dividend of 17.5 cents. In the same period of last year, the company had earnings of $28.6m, or $1.44 a share.

Mr S. Parker Gilbert, chairman, said the buoyant market conditions which characterised the first three months of the year continued toto the early part of the second quarter, although there was a turndown later in the three-month period.

The breakdown of Morgan's different activities showed a strong *surge in both investment banking*, where quarterly revenues rose to $134m from $84m, and in trading, with revenues from principal transactions rising to $142m from $73m. Commissions generated $53m against $34m last year, while total revenues rose by almost 52 per cent to $691m from $455m.

In the first six months of the year, net income more than doubled to $104m, or $4.61 a share, from $46m, or $2.33 a share, while revenues jumped to $1.28bn from $845m. Investment banking revenues in the six-month period rose to $249m from $157m, while revenues from *principal transactions jumped* to $313m from $113m.

By the end of June, Morgan's capital stood at $928m, of which $701m was in the form of stockholders' equity.

Opec split over output quotas plan

Continued from Page 1

b/d out of an Opec total of 20.3m b/d. A 15 per cent cut by them would take only 1.9m b/d out of the saturated market.

However, delegates pondered whether the offer of a 15 per cent cut could presage an intention to renounce the strategy aimed at forcing prices down to a level which would ensure future demand for their substantial reserves.

The conflict between the majority seeking to settle prices at something under $20 a barrel through realistic ceilings, and the triple alliance committed to maximising revenues, is a war of attrition. In the immediate term, the problem will be devising a market share under the 17.6m b/d ceiling.

This is considered to be the likely demand for Opec's crude over 1986 as a whole, though they calculated it would be 17.9m b/d in the last quarter. Even these figures must be in doubt following surplus supplies flowing on to the market.

For the future, Opec's technocrats provisionally calculated in a report submitted to Opec's Long Term Strategy Committee (revived after many years in abeyance), that a requirement for members oil will rise to 19m b/d in 1987, 20.3m b/d in 1988, 21.6m b/d in 1989 and 22m b/d in 1990.

For the present meeting, discussion will centre on how to divide the 17.6m b/d. Iraq's insistence on a quota equal to Iran's, Iran's threat to produce two extra barrels for every incremental Iraqi one and the United Arab Emirates demand for an allocation of not less than 1.5m b/d all seemed last night, as delegates went into private meetings, to present insuperable obstacles to any agreement. Under the Subroto plan, Iran would get a quota of 2.4m b/d, Iraq 1.8m b/d and the UAE 1.075m b/d. So in none of these cases would the producers' aspirations be met.

Australia relaxes investment rules

Continued from Page 1

ments and eventually improve Australia's external accounts.

In the 1985–86 financial year, Australia's current account deficit reached A$14.3bn, up 34 per cent, or A$3.6bn, on the deficit for 1984–85.

The bulk of foreign capital that has entered Australia in the last three years was mostly in the form of foreign borrowings, rather than direct investments, thus abetting the country's external debts and pushing it to its current estimated level of A$80bn. The Government is now grappling with a debt-service burden that has rocketed from 8 per cent of export income five years ago to the current 34 per cent.

The new package is also expected to offset the growing flight of private capital from Australia, which started to be felt earlier this year. Direct foreign investment by Australian companies has risen sharply from A$803m in 1982-83 to A$1.3bn in 1983-84, and further up to A$2.4bn in 1984-85. Most of these investments were in foreign equities.

The new guidelines are addressed mainly to prospective investors in the Australian property market. Under existing policies, foreigners' acquisition of real estate worth at least A$10m (US$6m) or more is acceptable only if they have 50 per cent Australian equity and only after a thorough review of its merits by the Foreign Investment Review Board. From yesterday, however, the 50 per cent local participation no longer applies and the board review will be a mere formality.

The 50 per cent Australian equity requirement on acquisition of service industry real estate, particularly in hotels and tourist resorts, has also been abolished, paving the way for entry of Japanese and Hong Kong interests, which are known to have been eyeing the Australian market closely.

Mr Keating also has a package for US and British investors, especially large pension fund managers and institutional investors, who had in the past shown considerable interest in developed commercial real estate in Australia. At present, there is a virtual prohibition on such foreign purchases, but overseas investors are now welcome, subject to 50 per cent Australian participation. However, full acquisition would be allowed if a foreigner *adequately demonstrated* that he could find a suitable Australian partner.

In the manufacturing sector all local equity requirements have been dismantled. Mr Keating said that foreign investors could expect most of their applications to be approved, "unless they are judged to be contrary to the national interest."

Also part of the new liberalised policy is the abolition of the dividend withholding tax and the branch profits tax. Under current policies the dividend withholding tax is charged at 50 per cent on dividends paid to residents of countries with which Australia has a double-tax treaty, and 30 per cent for other countries. Branch profits tax is levied at 5 per cent on profits of foreign companies operating in Australia through a branch, rather than a subsidiary.

Foreign exchange dealers in Sydney said the Government's action should place a floor under the Australian dollar. Others will be waiting for overseas markets' reaction to the government's announcement. All, however, will be waiting to see if Mr Hawke's decision to stay home from the important South Pacific Forum results in the resolute *action* in the *coming budget* generally recognised as necessary for the restoration of market confidence in the Australian dollar and the Australian economy.

Moscow cuts forces in Afghanistan

Continued from Page 1

proposal for Soviet troops to pull out of Afghanistan in three to four months as part of a political settlement to the conflict.

Mr Gorbachev made no reference to this proposal, saying only that once a political settlement was agreed, the return of all Soviet troops from Afghanistan could be speeded up. Schedules for their return have been agreed with the Afghan leadership.

Ha reiterated the long-standing Soviet view that as long as outside interference continues in Afghanistan, the Soviet Union would stand-up for its neighbour.

Confirming that he had received Mr Reagan's reply to his June arms control proposals, Mr Gorbachev said he needed to assess whether the US President made it possible to reach arms control accords and prevent the arms race reaching space. "We shall determine our further steps accordingly," he said.

Moscow has indicated that decisions such as any move to extend its moratorium on nuclear testing, which expires on August 6, depend largely on Mr Reagan's reply to the Soviet proposals to cut medium-range and strategic nuclear weapons, in exchange for a 15-year agreement to keep to the 1972 anti-ballistic missile treaty.

Such an agreement would block deployment until the next century of the space-based missile defence envisaged by Mr Reagan.

Mr Gorbachev said he objected to Washington's interpretation of his Geneva accord with Mr Reagan as guaranteeing more meetings. He emphasised again that he favoured another summit only if it brought progress on arms control.

The US is hoping that Mr Besmertnykh's Washington talks, which began on Friday, will help to clear the way for a further summit meeting between President Reagan and Mr Gorbachev in the US later this year. The State Department said that the aim of yesterday's talks was to see how the two sides could best move forward to the relations in the weeks ahead.

Mr Bernard Kalb, the State Department spokesman, said that Mr Gorbachev's remarks about summit prospects yesterday seemed a bit blurred. He reiterated that at last November's Geneva summit Mr Gorbarchev agreed to another summit in the US this year and a third in the Soviet Union in 1987.

"The US is operating on the assumption that these meetings will take place as agreed," Mr Kalb said.

Devoting much attention to Asia on his first trip to the Soviet far east, Mr Gorbachev disclosed that the Kremlin was negotiating with its Mongolian ally to withdraw a substantial part of its forces there, estimated by Western analysts at about 25,000 troops.

This move seemed aimed at China, which has cited the threat from Soviet troops on its border as one of the three obstacles to improving political relations with Moscow. The other Sino-Soviet disputes centre on the Soviet presence in Afghanistan and Vietnam's troops in Cambodia.

Mr Gorbachev stressed again the Kremlin's desire to develop friendly relations with Peking, and suggested that the two nations could co-operate in developing the Amur River Basin which forms China's northern border with its estranged Communist neighbour.

The Kremlin leader also said the Soviets would respond positively to a request for assistance in building a railway from the Xinjiang Uygur region of northwest China to Soviet Kazakhstan.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Dubrovnik	S	27	81	Malta	S	33	91	Rhodes	S	30	86
Algiers	S	28	82	Edinburgh	C	18	64	Manchester	S	17	63	Rio de J'o	C	28	93
Amsterdam	S	21	70	Faro	S	29	84	Manila	-	—	—	Rome	S	30	86
Athens	S	29	84	Florence	F	32	90	Melbourne	S	26	79	Salzburg	S	26	79
Bahrain	S	39	102	Frankfurt	F	27	81	Mexico City	-	—	—	San Francisco	C	17	63
Bangkok	S	32	90	Funchal	F	22	72	Miami	R	31	88	Seoul	S	30	86
Barcelona	S	26	79	Geneva	S	27	81	Milan	S	30	86	Singapore	R	32	90
Beirut	F	30	86	Gibraltar	C	23	73	Montreal	S	18	64	Stockholm	C	24	75
Belfast	C	18	64	Glasgow	R	15	59	Moscow	F	26	79	Strasbourg	S	28	82
Belgrade	F	26	79	Guernsey	C	16	61	Munich	F	26	79	Sydney	R	13	55
Berlin	S	27	81	Helsinki	S	25	77	Nairobi	F	21	70	Taipei	S	34	93
Biarritz	S	31	88	H Kong	S	31	88	Naples	F	33	91	Tangier	S	29	84
Bombay	C	28	82	Innsbruck	S	26	79	Nassau	C	30	86	Tel Aviv	S	31	88
Bordeaux	S	31	88	Inverness	F	18	64	New Delhi	C	31	88	Tenerife	S	24	75
Brussels	S	26	79	Islamabad	C	34	93	New York	C	30	86	Tokyo	S	32	90
Budapest	C	25	77	Istanbul	F	25	77	Nice	S	28	82	Toronto	C	26	79
B Aires	S	12	53	Jakarta	C	32	90	Nicosia	C	40	104	Tunis	S	36	97
Cairo	S	35	87	Jersey	C	19	66	Oporto	C	18	64	Valencia	S	30	86
Cape Town	S	18	64	Jo'burg	S	15	59	Oslo	C	19	66	Venice	S	29	84
Caracas	S	26	79	Lima	C	18	65	Paris	F	27	81	Vienna	S	26	79
Casablanca	S	25	77	Lisbon	S	24	75	Peking	C	27	81	Warsaw	F	23	73
Chicago	C	31	88	London	C	21	70	Prague	S	26	79	Washington	S	26	79
Cologne	F	24	75	Los Angeles	C	26	79	Reykjavik	S	12	54	Zurich	S	28	82
Copenhagen	S	21	70	Luxembourg	F	24	75								
Corfu	-	—	—	Madrid	S	28	84								
Dallas	S	26	79	Majorca	S	28	82								
Dublin	R	14	57	Malaga	S	—	—								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Oil price fears hit sterling

Continued from Page 1

borrowing, caused by the fall in oil tax revenues, with a mounting deficit in the UK's balance of payments as its surplus in oil trade dwindles.

Many analysts felt that nervousness over the pound had been exaggerated. Mr Gavyn Davies, chief UK economist at broker Goldman Sachs in London, commented that the pound now appeared to be oversold.

The pound ended in London at $1.4815, down 0.15 cents against the dollar, and lost Y3 to Y230.75. The Bank of England's sterling exchange rate index closed at 71.7, down 1.3 from Friday's close and 4.5 in the past four weeks.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Tuesday July 29 1986

UBS buys Vaduz financial concern

By John Wicks in Zurich

UNION BANK of Switzerland (UBS), has bought the Vaduz-based company Sinit from the Milan bank Credito Italiano at an unspecified price.

Sinit, whose full corporate title describes it as "promoting financial, banking and trading business," is the only non-bank in Liechtenstein to have a so-called limited banking licence.

This permits it to carry out banking transactions other than those involving persons or firms domiciled in the principality. However, Sinit has "long been inactive," according to UBS.

The Zurich bank has no immediate plans for the Vaduz company, which was set up in 1947 and has a share capital of SFr 10m ($5.8m). It stresses that Sinit will not be used to take advantage of the fact that Liechtenstein has no Swiss-type withholding tax and is not a signatory to the current good-conduct code of the Swiss Bankers' Association.

The company will definitely not be expanded into a full bank. The Liechtenstein authorities have repeatedly made it clear that no foreign banks will be permitted to operate in the country. At present, there are three banks in the principality, all of them locally controlled.

UK food group to sell house building unit

By David Goodhart in London

CHRISTIAN SALVESEN, the food distribution and industrial services group floated on the London stock market one year ago, has announced that it is in the final stages of negotiating the sale of its house building operations for a total of about £50m ($74m).

Mr Barry Sealey, managing director, said there was "no single reason" for the sale but the building company has recently performed below average and several enquiries had been received by the parent company.

While Salvesen was not about to become a one-product concern it had been pursuing a long term strategy of selling off peripheral interests and strengthening the food and distribution operation.

The building company is one of the few in the group which is not providing a service to corporate clients.

Salvesen, which recently unveiled pre-tax profits of £37.6m on turnover of £295m, announced in June the sale of its seafood division for £6m.

The building division is made up of five regional operations based in Glasgow, Chester, Leigh (Lancashire), Doncaster and Northampton which are likely to be sold seperately. The companies together made a pre-tax profit of just under £5m last year on turnover of about £80m.

The building division as a whole made a pre-tax profit of £9.3m but that included the flourishing brick business – which is not being sold – and the sale of some land.

Mr Sealey said that one problem for the house building division was that it did not have a presence in the highly profitable south-eastern market and the company would have had to invest heavily to win a place there.

There are no immediate plans to use the income from the sale which in any case may take up to a year to complete. Mr Sealey even admitted that the sale may reduce next year's profits slightly

Wessanen to make cheese in Ireland

By Our Financial Staff

WESSANEN, the Dutch foods group, plans to make cheese in Ireland. Baars Kaas, a division of Wessanen, made its decisioo because the Dutch milk market cannot meet its future requirements.

Baars Kaas has forecast a yearly 3-5 per cent increase in its milk needs, and decided on an Irish production plant to meet them.

Because of EEC production ceilings, imposed to reduce the Community's milk surplus, the company has a progressive annual milk shortfall of 3 per cent and the Netherlands must cut milk output of about 13m tonnes by 10 per cent by 1990 under European farming budgets.

Construction of the Fl 20m ($8.29m) factory in Ireland, which will employ 40 people, will start next month. The exact location has not been disclosed.

US GROUP EXPECTS EXPORT BOOST FROM LOWER DOLLAR

Weyerhaeuser earnings rise 15%

BY OUR NEW YORK STAFF

WEYERHAEUSER, the big US forest products group, has reported a 15 per cent increase in net earnings for the second quarter to $68.3m from $59.6m a year ago. Earnings per share rose to 46 cents from 41 cents.

Sales during the quarter rose 7 per cent to $1.49bn from $1.40bn a year earlier.

Mr George Weyerhaeuser, president, said that the improvement in net earnings reflected the strengthening of markets for pulp and containerboard. There had also been record results in the company's newsprint business as well as a strong performance by the property and finance subsidiaries.

Log export markets had remained soft during the quarter. Industrial and building materials markets remained firm, but prices for lumber and plywood, after rising early in the quarter, had dropped sharply in May and June.

Results for the first six months showed Weyerhaeuser's sales 5 per cent ahead oo the same period a year earlier at $2.8bn against $2.67bn. Earnings for the first half were up 21 per cent to $118.3m (77 cents a share) against $97.9m (65 cents a share) in the first half of 1985.

Mr Weyerhaeuser forecast that export markets would gain in the second half of the year from the weakness of the dollar, especially for pulp and paperboard, although packaging markets were also expected to be firmer.

He warned that profitability in the third quarter would be hit by the effects of the pay dispute that has brought more than 7,000 workers at Weyerhaeuser plants in the north-west out on strike for the past five weeks.

Safeway thwarts Dart takeover

BY LOUISE KEHOE IN SAN FRANCISCO AND WILLIAM HALL IN NEW YORK

SAFEWAY STORES, the US supermarket chain, has thwarted a hostile takeover bid from the Dart Group, a small Maryland retailer, by agreeing to a $4bn leveraged buy-out organised by Kohlberg, Kravis, Roberts, which specialises in assisting managements to buy out their companies.

Safeway disclosed late last week that it was considering alternatives to a $64 per share cash takeover bid from Dart, which has been pursuing it for the past three months. Safeway has strongly resisted Dart's takeover approaches.

Under the agreement with KKR, which ranks as one of the largest leveraged buy-outs in US corporate history, SSI Holdings, a newly formed subsidiary of KKR, will begin a tender offer at $69 cash per share for up to 45m of Safeway's 61m shares.

The offer will be followed by a merger of Safeway and SSI in which Safeway's remaining shareholders will receive, for each share, subordinated discount debentures of SSI having a market value of $61.60 and one warrant to purchase common stock of SSI. The warrants will entitle shareholders to purchase 5 per cent of SSI's initial outstanding common stock and will be exercisable when SSI shares become publicly traded. KKR said yesterday that certain members of Safeway's management would have a stake of up to 10 per cent in SSI.

Safeway, the world's largest supermarket chain, has close to 2,000 stores in the US and operations in the UK and Canada. It employs 164,000 staff world-wide and its operations have been under considerable competitive pressure in the US from non-unionised discount retailers.

Safeway's performance in recent months has not matched that of its US competitors, particularly in its home market of California. In the three months to mid-June, the group's net income fell by 8.8 per cent to $45.6m on sales of $4.6bn. Industry analysts have speculated that the group might be forced to sell off some of its assets, valuable property in California or more profitable overseas operations, in order to finance its heavy debt burden.

KKR said Bankers Trust had agreed to raise $3bn in bank financing for the acquisition.

Dart, which has previously attempted to take over May department stores and Jack Eckerd, a drug store chain, has threatened to sue Safeway if it accepted an offer from a third party, but industry analysts discounted Dart's chances of unravelling the KKR deal. Dart has amassed a 5.9 per cent stake in Safeway

Western Union losses deepen

By Terry Dodsworth in New York

WESTERN UNION, the embattled US telecommunications group which is planning a capital reconstruction, ran up a further loss in the second quarter of this year despite a $6m gain on the $155m disposal of its government systems division.

Net losses for the quarter amounted to $9.5m, or 64 cents a share, against a deficit of $9.7m, or 65 cents a share, in the same period of last year. Sales slipped to $229m from $256m.

For the first six months of the year, Western Unioo had a net loss of $24.8m, or $1.53 a share, compared to a loss of $25m, or $1.54 a share, in the same period of last year. Revenues fell to $455m from $515m during the half year.

Separate figures for Western Union Telegraph, the core of the company, indicate that its loss position is worsening, reaching $1.6m in the second quarter against $0.6m in 1985, and going up to $9.2m from $3.7m for the six month period.

VF to buy Blue Bell in $800m deal

BY OUR NEW YORK STAFF

VF CORPORATION, a fast-growing Pennsylvania textile company, is acquiring Blue Bell, the second largest US jeans manufacturer, in a deal valued at more than $800m, as reported briefly yesterday. The takeover will create the biggest clothing company in the US.

Mr Lawrence Pugh, the 53-year-old chief executive of VF, said the acquisition of Blue Bell, which is known for making Wrangler jeans, will add more than $1bn of sales to VF's sales base of $1.5bn and will provide a positive contribution to earnings per share.

Blue Bell went private in 1984 after fighting off unwelcome takeover approaches from the Belzberg family, a group of Canadian corporate raiders, and the Bass brothers of Texas, another group of predators.

Although Blue Bell took on a big debt burden when it went private through a $472m leveraged buy-out, Mr Pugh has denied that the acquisition represented a rescue of the famous jeans maker. He said Blue Bell had made great strides since it went private and its annual operating income was about $125m.

The combination of the two companies will be forceful in the fiercely competitive $5.5bn a year US jeans market. VF, which manufactures Lee jeans and earns about 60 per cent of its profits from jeans, employs 32,000.

Blue Bell, which makes swimwear and sportswear in addition to jeans, employs 30,000.

Under the deal, VF Corporation is paying $122.5m in cash and issuing 5.3m of its shares for all of the 3.6m fully diluted Blue Bell shares. VF is also assuming the outstanding long-term debt of Blue Bell, which was approximately $414m at end-June 1986, and will purchase $71m of existing preferred stock held by Blue Bell's employee stock ownership plan for $41m in cash and $30m in VF common stock.

Mr Pugh said despite an initial debt to total capitalisatioo ratio of 47 per cent after the acquisition, "we are confident that the strong cash flow of the combined entity will enable us to quickly reduce our debt levels."

He said the deal would enable VF to further strengthen its retail distribution.

Higher platinum prices return Inco to profit

BY KENNETH MARSTON IN LONDON

INCO, the Canadian mining company and the Western world's main nickel producer, has returned to profit in the second quarter after experiencing a loss in the first three months of this year.

Net earnings for the second quarter amounted to US$3.7m which, after taking in the first-quarter loss, left a half-year profit of $0.2m compared with a profit of $33m for the first half of last year.

The lower half-year result reflected a 15 per cent fall in nickel prices from the levels of a year ago. In the latest quarter, however, lower unit costs coupled with increased sales at higher prices of the company's platinum group metals and gold have offset the effects of continuing depressed prices for the nickel and copper.

Demand for nickel was expected to improve in the current half year against that of the same period of 1985. This, together with the higher prices for precious metals, could ensure the company remained in profit. Whether earnings for the full year could match those of 1985 remained to be seen.

Sales of platinum group metals and gold rose in the second quarter to 111,000 oz to make a half-year total of 198,000 oz compared with 167,000 oz in the same period of last year. Nickel sales were little changed at 97m lb to make 195m lb against 194m lb, while copper sales were 68m lb, making 141m lb against 148m lb.

Inco's stocks of finished nickel were increased by 22m lb in the latest quarter to 98m lb in preparation for the summer vacation shutdowns at the primary metals production facilities. The stocks were expected to return to normal operating levels in the current quarter.

Australian oil refiner slides back into loss

By Our Financial Staff

CALTEX AUSTRALIA, the oil refiner jointly controlled by Chevron and Texaco of the US, slid back into loss for the six months to June after two profitable years.

A pre-tax deficit of A$28.2m (US$17m) compares with earnings in the 1985 first half of A$22.1m, on a slight dip in sales to A$1.15bn from A$1.19bn. The interim dividend, 4 cents a share last year, has been omitted.

Caltex Australia, which in 1981 took over the Golden Fleece network of petrol stations, is about 75 per cent owned by the two US oil majors, with the remainder quoted in the domestic market.

The company blamed the loss not only on the fall in world crude values, but also on the oil pricing policies of the Australian Government, which sets official levels at which domestic production is sold.

Caltex officials were quoted in Sydney as saying that centrally imposed price cuts had resulted in a A$98.8m loss during the period, derived from writedowns on inventories purchased at higher levels.

Coalite launches £81m bid for Hargreaves

BY MARTIN DICKSON IN LONDON

COALITE GROUP, which has interests ranging from fuel manufacturing to sheep farming in the Falklands, yesterday launched an £81m ($113.4m) takeover bid for Hargreaves Group, which would create one of Britain's largest fuel distribution businesses.

Yorkshire-based Hargreaves, which is involved in coal and oil trading, construction materials and the distribution of commercial vehicles, said it was consulting its financial advisers and urged shareholders to take no immediate action.

Mr Eric Varley, chairman of Coalite, said he hoped he could get Hargreaves' agreement to the terms, "but in any event we intend to go ahead."

Coalite, which made pre-tax profits of £39.4m on turnover of £445m in the year to March, manufactures Britain's biggest selling brand of smokeless coal, distributes fuel through its subsidiary, Charringtons, and is also involved in vehicle distribution and builders merchants. The Falkland Islands Company, a subsidiary, operates sheep farms and trading services in the Falklands.

Mr Varley said Coalite had been trying for some time to expand its energy distribution business and Hargreaves – which made £9m pretax in the year to March on £306m turnover – would provide a very good commercial fit.

Charringtons, which has a strong presence in London and the south-east of England is not represented in the north of England, which is the main operating area of Hargreaves' fuel distribution business.

A merger would create one of the UK's biggest fuel oil distributors, accounting for some 6 per cent of the market, while Hargreaves' strengths in industrial coal distribution would complement Charrington in domestic fuels.

Hallmark in plan to buy TV network

HALLMARK Cards, the world's largest manufacturer of greetings cards, and First Chicago Venture Capital, have agreed to acquire Spanish International Communications, owner and operator of the largest group of Spanish language television stations in the US, in a deal worth $301.5m.

SICC, a privately held corporation, operates television stations in major centres including New York, Los Angeles, Miami, Denver, Philadelphia and Austin.

The joint buyers say they will retain SICC's Spanish language format.

The deal is subject to approval by the Federal Communications Commission.

Unocal repeats call for oil import tax

BY WILLIAM HALL IN NEW YORK

UNOCAL, the US west coast oil company which is suffering more than most groups from the slump in oil prices, yesterday reported a 71 per cent drop in second quarter net income to $34.6m and repeated its call for an import tax to protect the US energy industry.

Mr Fred Hartley, the company's chief executive, said that the second quarter results reflected the full impact of the dramatic fall in world oil prices.

"Each barrel of oil we produce sells for approximately 40 per cent of the price we received just seven months ago," Mr Hartley said yesterday and added that production of Alaska North Slope crude from Unocal's interest in the Kuparuk field "nets less than $4 per barrel at the wellhead."

"We have cut expenses by consolidating operations, paring capital spending, reducing the workforce through a voluntary early retirement programme, freezing hiring, shutting in non-economic production and selling selected non-operating assets," Mr Hartley said.

Mr Hartley, who is one of the most outspoken critics of the US Administration's energy policy within the ranks of the US oil majors, again attacked what he called the US Government's inability to protect the American petroleum industry from Saudi Arabia's predatory pricing which is driving down crude oil prices.

"I have repeatedly called for the imposition of a flexible security fee on imported crude-oil and petroleum products as a swift way of preventing further erosion of America's domestic energy supplies." But, he added, the nation's leaders were failing to recognise "the serious consequences of their inaction"

For the first six months of 1986 Unocal earned $104.8m, or 90 cents a share, compared with $301.1m, or $1.98 per share, in the same period last year.

Nestlé still confident despite fall in sales

BY WILLIAM DULLFORCE IN GENEVA

NESTLÉ, the Swiss food group, remains confident of maintaining net consolidated earnings this year despite the 12 per cent fall in first-half turnover reported yesterday.

Group sales in the first six months totalled SFr 19.4bn ($11.2bn), and the decline was attributable entirely to the appreciation of the Swiss franc against other currencies, the company said. The most important influence was the 28 per cent collapse of the dollar against the Swiss franc since the first half of 1985.

Purged of the currency fluctuations, Nestlé's sales would have reflected substantial growth. New acquisitions, mainly in West Germany, France and Spain, incorporated for the first time in the six-month figures, contributed some SFr 1bn to turnover.

Nestlé believes that the currency effects will be less marked and the sales decrease smaller in the second half, although the effects of the most recent fall in the dollar rate have still to come through.

However, Nestlé expects the 1986 net consolidated profit to be "at least equal to" last year's SFr 1.75bn.

Nestlé has already absorbed practically all the financial charges for its takeover of Carnation, the US processed-foods company. Management has relieved profits of depreciation charges on SFr 3.6bn in goodwill by amortising it in one go last year.

US media group earnings jump 63%

By Williams Hall in New York

CAPITAL CITIES/ABC, the media conglomerate formed earlier this year after Capital Cities' $3.5bn takeover of ABC, one of the big three US television networks, yesterday reported a 63 per cent jump in second-quarter earnings to $67m but warned that the results are not indicative of the expected results for the balance of the year because of the seasonal nature of the business.

The latest quarter follows a token $1.97m profit in the first quarter and means that for the first half of the current year the group earned $69m, which was unchanged from last year.

However, because of the new shares issued as part of the takeover of ABC, the group's earnings per share for the first half of 1986 fell by 19 per cent to $4.27. Revenues for the six months rose nearly fourfold to $1.98bn. Capital Cities/ABC shares rose by $2 to $260½ in early trading yesterday.

The company said the ABC Television Network contioued to be affected by the relatively weak demand for oetwork advertising. Second-quarter results for all other operations of the broadcasting divisioo were generally ahead of expectations.

Results of the publishing division, excluding the recently acquired ABC publishing operations, decreased slightly, principally due to weakness in advertising demand.

As a result of the television network's revenue outlook, combined with higher sports rights and programming costs for the balance of 1986, the company anticipated that earnings gains for the second half of 1986 would not be comparable with the gains reported in the second quarter of 1986.

Ø Financial Times Tuesday July 29 1986

INTL. COMPANIES & FINANCE

N. AMERICAN RESULTS

AMER NATIONAL
Insurance

Second quarter	1986 $	1985 $
Revenue	—	—
Net profits	45.05m	35.34m
Net per share	1.55	1.22
Six months		
Revenue	—	—
Net profits	119.25m	101.89m
Net per share	4.12	3.51

CRANE CO.
Diversified manufacturer

Second quarter	1986 $	1985 $
Revenue	310.7m	297.8m
Net profits	11.05m	9.19m
Net per share	0.80	0.67
Six months		
Revenue	570.05m	521.2m
Net profits	15.28m	11.94m
Net per share	1.11	0.87

DOW CORNING
Silicone products

Second quarter	1986 $	1985 $
Revenue	274.7m	220.2m
Net profits	29.3m	22.2m
Net per share	—	—
Six months		
Revenue	520.1m	435.8m
Net profits	51.9m	47.5m
Net per share	—	—

FALCONBRIDGE
Mining

Second quarter	1986 $	1985 $
Revenue	280.7m	245.1m
Net profits	10.1m†	15.04m
Net per share	0.17†	0.36
Six months		
Revenue	552.1m	461.4m
Net profits	14.8m	27.3m
Net per share	0.26	0.60

† Loss

GENUINE PARTS
Autoparts, industrial supplies

Second quarter	1986 $	1985 $
Revenue	617.9m	589.1m
Net profits	31.1m	29.8m
Net per share	0.58	0.55
Six months		
Revenue	1.18bn	1.13bn
Net profits	59.1m	56.4m
Net per share	1.09	1.04

HOLIDAY CORP.
Hotels

Second quarter	1986 $	1985 $
Revenue	421m	408.5m
Net profits	36.1m	32.2m
Net per share	1.48	1.16
Six months		
Revenue	806.5m	806.4m
Net profits	57.9m	65.9m
Net per share	2.25	2.24

HUSKY OIL
Crude petroleum and natural gas

Second quarter	1986 C$	1985 C$
Revenue	158m	238.2m
Net profits	38.5m	29.9m
Net per share	0.41	0.34
Six months		
Revenue	328.3m	439.1m
Net profits	48.1m	58.5m
Net per share	0.51	0.65

KELLOGG CO.
Cereals

Second quarter	1986 $	1985 $
Revenue	967.2m	713.7m
Net profits	69.2m	62.2m
Net per share	0.56	0.50
Six months		
Revenue	1.86bn	1.41bn
Net profits	145.7m	133.3m
Net per share	1.18	1.06

LAC MINERALS
Mining

Second quarter	1986 C$	1985 C$
Revenue	62.8m	35.4m
Net profits	2.8m	4.7m
Net per share	0.9	0.17
Six months		
Revenue	111.9m	75.4m
Net profits	4.9m	11.8m
Net per share	0.17	0.44

LOUISIANA LAND
Oil and gas lands

Second quarter	1986 $	1985 $
Revenue	181.1m	302m
Net profits	5.1m	23.3m
Net per share	0.19	0.84
Six months		
Revenue	435m	604.8m
Net profits	19.9m	51.4m
Net per share	0.74	1.85

McDONNELL DOUGLAS
Military and commercial aircraft

Second quarter	1986 $	1985 $
Revenue	3.2bn	2.85bn
Net profits	81.2m	86.1m
Net per share	2.01	2.15
Six months		
Revenue	6.24bn	5.61bn
Net profits	142.3m	177.8m
Net per share	3.52	4.43

NABISCO BRANDS
Foods

Second quarter	1986 $	1985 $
Revenue	219.9m	240.8m
Net profits	6.2m	7.8m
Net per share	0.31	0.36
Six months		
Revenue	444m	475m
Net profits	15m	15.8m
Net per share	0.75	0.79

NATIONAL DISTILLERS
Chemicals, spirits, wines

Second quarter	1986 $	1985 $
Revenue	530.8m	508.2m
Net profits	11.4m	4m
Net per share	0.31	0.8
Six months		
Revenue	1.16bn	1.08bn
Net profits	32.2m	24.5m
Net per share	0.92	0.67

NATIONAL MEDICAL
Hospital management

Second quarter	1986 $	1985 $
Revenue	985.8m	825.4m
Net profits	3.13m	41.3m
Net per share	0.4	0.53
Six months		
Revenue	2.0bn	2.98bn
Net profits	117.7m	190.7m
Net per share	1.5	1.96

Energy drilling slips in western Canada

BY ROBERT GIBBENS IN MONTREAL

ENERGY EXPLORATION activity has fallen dramatically in western Canada, with drilling in May down 45 per cent from the previous month and down 62 per cent compared with February.

Figures published by Statistics Canada, the government information service, show that activity in the drilling and oil services sector, a vital part of the Alberta economy particularly, has returned to the level of 1971–72, before the first world energy crisis.

● **Quintette Mines**, the big mining, energy and industrial product group, has made the first move in efforts to restructure its debt. The company has been hit by falling world coal prices.

Quintette said it plans to make the first scheduled principal repayment on its C$700m (US$507.2m) debt soon, and would proceed immediately with development of a third coal mine in north-eastern British Columbia at a capital cost of C$12m. This would maintain its production levels to 1991.

The company is also continuing talks with its Japanese customers on coal prices.

Quintette produced 2.74m tonnes of coal in first half of 1986, up 5 per cent from a year earlier.

Allied-Signal expects to double sales of parts

BY OUR FINANCIAL STAFF

ALLIED-SIGNAL, the US diversified company with interests in chemicals, motor components, energy, aerospace and electronics, expects its motor components sales almost to double in volume by 1990, with a value of at least $5bn, Mr Edward Hennessy, the chairman, said in Detroit yesterday.

Motor components make up about a quarter of the group's sales, which totalled $9.1bn in 1985 and were forecast by Mr Hennessy to reach $11bn this year. The group has already announced that it will step up investment in motor components, with special emphasis on such areas as anti-skid brakes and fuel injection systems.

Allied-Signal was also attempting to build up its business with Japanese motor groups as a supplier of components, and might enter joint ventures with them in the US or elsewhere.

Mr Hennessy also acknowledged that Allied-Signal was considering a share repurchasing plan

Olympia appeals against Hiram Walker decision

BY ROBERT GIBBENS IN MONTREAL

OLYMPIA and York Developments, the Canadian real estate and resources group, is seeking to appeal against an Ontario divisional court ruling of July 8 allowing the sale of Hiram Walker Resources' distilling business to Allied-Lyons for C$2.6bn ($2bn).

In an application to the Ontario Court of Appeal, Olympia claimed the divisional court had erred on the legality of certain anti-takeover actions by the previous management of Hiram Walker.

Olympia, controlled by the Reichmann brothers of Toronto, won control of the Hiram Walker energy and liquor business earlier this year after its management had arranged to sell the distilling assets to Allied-Lyons of the UK. Since then it has been trying to show the sale was illegal.

The Ontario appeal court has not yet set a date for hearing Olympia's application.

● **Ipsco**, western Canada's only sizeable steel pipe and flat products group, has incurred a first-half loss because of the collapse in oil and gas drilling and the cancellation of pipeline orders.

The six months' loss was C$1.7m ($1.3m) on sales of C$118m

INTL. COMPANIES and FINANCE

Sharp fall for Japan's steelmakers

BY YOKO SHIBATA IN TOKYO

JAPAN'S FIVE big steel manufacturers suffered a sharp fall in consolidated earnings for the year to March, affected by the yen's steep appreciation and a decline in crude steel production.

In the steel industry the performances of parent companies account for a high proportion nf the consolidated results. Even in the case of Nippon Steel, the largest Japanese steelmaker, consolidated sales were only 7.8 per cent higher than those of the parent.

However, consolidated pre-tax profits of the five were between 30 per cent and 70 per cent below those of the parent companies. Nippon Steel was dragged down by the pre-tax deficits of its subsidiaries, Nittetsu Kenzai and Nittetsu Yosetsu Industries, while Kobe Steel suffered from a sluggish performance by its construction machinery subsidiaries.

Of their equity-accounted affiliate companies, only Nippon Steel managed to increase earnings, by Y2.1bn ($13.3m), through the liqnidation of the lossmaking Nittetsu Curtainwall associate. Nippon Kokan meanwhile reported a Y9.1bn deficit caused by the loss accrued on its half share of National Steel in the US, acquired in 1984 — a sharp reversal from the preceding year's profits of Y1bn.

JAPANESE STEEL PRODUCERS
Consolidated results, year to March 1986

	Sales Ybn	change %	Pre-tax profits Ybn	change %	Net profits Ybn	change %
Nippon Steel	2,881	−6	34.90	−64.3	40.92	−19
Nippon Kokan	1,345	−12	16.44	−56	4.85	−64
Kawasaki Steel*	1,235	—	22.96	—	18.49	—
Kobe Steel	1,234	−5	11.43	−50	6.56	−37
Sumitomo Metal	1,207	−2	20.51	−50.5	18.61	−27

* First consolidated results, no comparison available.

Sumitomo Metal's equity earnings from affiliates tumbled by 60 per cent, affected by the profits setback at Nippon Stainless and at Kanto Special Steel.

For the current year ending March 1987, all five steelmakers expect a further fall in earning in the face of severe business circumstances arising from the yen's appreciation.

Some of the companies pointed out that restrictions on steel exports to the US, which came into effect in October 1984 in order to help US domestic steel companies weather an industry recession, had adversely affected both sales and earnings.

Carlton Paper setback despite higher turnover

By Our Johannesburg Correspondent

CARLTON PAPER, the 38 per cent owned South African paper products manufacturing associate at Kimberly-Clark, increased turnover by 8.8 per cent in the first half of this year but suffered a drop of nearly 44 per cent in pre-tax profits.

Mr Keith Partridge, the managing director, said that although market share was maintained, sales volumes dropped and the company was unable to recover increased costs fully by increasing prices.

Turnover increased to R92.2m ($36m) from R84.7m and pre-tax profits were R4.42m against R7.88m.

First-half earnings per share dropped to 15.2 cents from 28.8 cents and the interim dividend has been cut to 8 cents from 14 cents.

Blue Circle hit by South African building recession

BY JIM JONES IN JOHANNESBURG

THE continued recession in the South African construction industry led to a 7.5 per cent drop in first-half cement sales by Blne Circle, the 42.2 per cent owned associate of the UK's Blue Circle Industries.

Turnover fell to R146m ($57.1m) from R151m and the interim trading surplus before depreciation and finance charges dropped to R28.1m from R30.1m. Pre-tax profits were R4.2m against R5.6m.

The directors said the cement division's capacity use was a low 52 per cent and they did not expect an increase in sales volumes during the second half

First-half earnings per share have fallen to 12.3 cents from 20.8 cents and an interim dividend has not been declared. Last year an interim dividend of 11 cents was paid. A second-half loss left earnings at 17.1 cents a share last year and a final dividend was not declared.

● Metal Closures, the 77 per cent-owned South African subsidiary of Metal Closures Group of the UK, increased turnover by 19 per cent in the first half of this year, despite increased competition

However, a combination of narrower margins and increased tax left interim earnings attributable to ordinary shareholders virtually unchanged.

Turnover rose to R31.1m from R26.1m, operating income increased to R3.81m from R3.27m and pre-tax profits were R4.28m against R3.67m.

Earnings per share were 83.8 cents against 83.6 cents and the interim dividend has been raised to 36 cents from 31 cents. Last year earnings totalled 194.6 cents a share and a total dividend of 75 cents was declared.

Return to profit at Israel Corporation

By Lynne Richardson in Tel Aviv

ISRAEL CORPORATION, controlled by Mr Shaul Eisenburg, showed a modest profit of US$1.8m in 1985 after record losses of $40m the previons year.

The turnround was attributed in part to a $6.2m gain by the government-controlled Israel Oil Refineries, in which the corporation has a 27 per cent stake. This resulted from more favourable terms in Refineries' recently renegotiated contract with the state.

The heavy losses of 1984 were mainly due to Israel Corporation's investment in Zim, Israel's largest shipping line, which was subsequently written off. The corporation retains a 50 per cent holding. Zim's position has improved dramatically in the past year.

Barclays Kenya 40% up

BY MARY ANN FITZGERALD IN NAIROBI

BARCLAYS BANK of Kenya, a subsidiary of the UK bank, has announced after-tax profits of nearly £2.4m ($3.5m) for the first six months of the year, a 40 per cent increase over the same period of last year, auguring well for the Kenyan shareholders who subscribed to a public flotation this April.

The landmark issue was the largest on the Nairobi stock exchange in a decade and the first by a commercial bank. Last year Barclays declared record pre-tax profits of £8.19m, a rise of 19 per cent over 1984.

● Barclays New Zealand more than doubled its net profit for the half-year to June, to NZ$2.5m (US$1.3m) from NZ1.1m. The profits for the latest six months are just above the level achieved for the whole of the previous year.

An interim dividend of 5 cents a share has been declared. Gross income was up from NZ$33.1m to NZ$53.5m. The bank predicts a satisfactory continuation for the rest of the year.

JAPANESE COMPANY RESULTS

MITSUI OSK LINES
Shipping

Year to	Mar'86 Y	Mar'85 Y
Revenues (b)	563	548
Pre-tax profit (bn)	8.43	10.31
Net profits (bn)	1.90	8.02
Net per share	2.08	7.04

CONSOLIDATED

SANKYO
Pharmaceuticals

Year to	Mar'86 Y	Mar'85 Y
Revenues (b)	370	357
Pre-tax profits (bn)	29.82	28.88
Net profits (bn)	10.11	9.89
Net per share	34.21	33.52

CONSOLIDATED

INTL. COMPANIES and FINANCE

DnC issues novel $300m floater

BY CLARE PEARSON

DEN NORSKE Creditbank, the largest Norwegian bank, took advantage of the recent strength of the floating-rate note market yesterday to launch a new type of bond: a 10-year FRN that it can convert into perpetual debt.

The $300m issue proved less popular than last week's crop of bank FRNs.

Den Norske Creditbank's deal imposed on the investor perpetual risk for the first 10 years while failing to compensate him with the level of coupon, some dealers said. The 10-year coupon was fixed at six-month London interbank offered rate, which is higher than comparable recent term issues but below the level on some recent perpetuals.

On the other hand, if converted into a perpetual, the issue will pay 15 basis points over Libor, which is rather more generous than recent issues. But Den Norske Creditbank is only likely to convert if it cannot obtain cheaper funding at that time.

Morgan Stanley said that Den norske had chosen the structure because it is presently well-capitalised. Thus it is not in immediate need of the primary capital it can obtain from a perpetual FRN, but wanted to take advantage of the current strength of the FRN market.

The 10-year par-priced bond can be transformed into a perpetual FRN on 30-45 days notice before any interest payment date, and a minimum of $100m can be changed. The 10-year notes are callable at par after five years.

Fees total 25 basis points. Yesterday the bond was quoted at discounts to issue price within this level, but dealers said this reflected the lead-managers' support.

Dollar fixed-rate Eurobonds were hit by the fall in the dollar on the foreign exchanges yesterday, and lost about ½ point in price. Nevertheless, two borrowers braved the market.

Philip Morris' $100m deal sought to take advantage of recent demand for short-dated paper but some dealers found it tight. The four-year bond was priced at 101⅛ and carried coupons of 7⅜ per cent. Union Bank of Switzerland, which led the deal, said Philip Morris' name should appeal to Swiss investors.

Credit Suisse First Boston launched a $100m 10-year 7⅞ per cent bond for Banque Française due Commerce Exterieur (BFCE). The lead manager quoted a bid price of 97⅞ as against a par issue price and outside the 2 per cent fees, during the afternoon.

Nikko Securities issued a $60m equity farrants bond for Daihatsu Motor, the Japanese car manufacturer in which Toyota has a major shareholding. The five-year bond was priced at par with an indicated coupon of 2¾ per cent. Final terms will be fixed on August 4.

The Deutschemark market traded very quietly.

The Swiss franc market saw slightly increased turnover and modest price rises. Nevertheless, USX Corporation's SFr100m 12-year 5¼ per cent bond closed after first day's trading at 96¾, compared with a par issue price.

Ford Credit Canada borrowed SFr 75m with the second-ever Canadian dollar-Swiss franc dual currency deal, repayable in Canadian dollars at C$65½m. The five-year bond has a coupon of 6¼ per cent and priced at par. It is repayable in Canadian dollars at C$4,350 for SFr 5,000. Union Bank of Switzerland led the deal.

Union Bank of Switzerland also launched a SFr 150m bond for Fluor, the US company that provides services for energy-related industries. The seven-year bond has a coupon of 5¼ per cent and is priced at par.

CBOE upsets with currency options plan

By Alexander Nicoll

THE CHICAGO Board Options Exchange (CBOE) has aroused the enmity of rival US options markets by announcing that it plans to trade currency options contracts identical to those traded on the Philadelphia Stock Exchange.

The surprise move reopens a long-running debate in the US about the listing of identical products on different exchanges, seen by its critics—which have previously included the CBOE itself—as reducing liquidity on individual floors.

Less than a year ago, the CBOE attempted to enter the competition for a share in currency options business by launching contracts in a slightly different form to those traded successfully elsewhere. Its version, intended to appeal to the Chicago trading community, can only be exercised at expiry. Options traded generally elsewhere can be exercised at any time up to expiry.

The CBOE's attempt, however, was a flop, and it is now attempting to capture business by copying Philadelphia's contracts. The Philadelphia exchange and the Chicago Mercantile Exchange, which trades options on currency futures, have the world's most successful traded currency options, though a large market also exists between banks.

Mr Walter Auch, CBOE chairman, argues that "no single exchange has pockets deep enough" to accommodate the growth of the options market.

Other US exchanges, however, are already asking the CBOE to reconsider, arguing that it would be setting a precedent with implications far beyond currency options, perhaps even encouraging other exchanges to list the CBOE's highly successful option on the Standard & Poor's 100 index.

"The whole industry is trying to point out that the repercussions might be bigger than they anticipated," said Ms Susan Steele, European managing director of the Philadelphia exchange.

Swiss capital exports 39% up in quarter

By John Wicks in Zurich

SWISS CAPITAL exports amounted to SFr 13.9bn in the second quarter. This was 39 per cent more than for the corresponding period of 1985.

Part of the increase was due to a change in reporting procedure, under which the date of Swiss National Bank approval for foreign borrowings is considered instead of the end of subscriptions. Even without this, however, growth would still have been of the order of 30 per cent.

In respect of capital-market issues by foreign borrowers, the central bank says the volume showed an increase last month after having been under pressure in May from "growing uncertainty as to the development and interest and exchange rates, unattractive conditions for currency swaps and a considerable number of unplaced securities."

For the second quarter as a whole, as much as 86 per cent of all foreign borrowings approved by the central bank went to industrialised countries, as compared with 80 per cent in the same 1985 quarter.

$500m Commerzbank paper programme

COMMERZBANK, the West German bank, has appointed four dealers for a $500m Euro-commercial paper programme, Our Euromarket staff writes.

The dealers are to be Citicorp Investment Bank, Morgan Guaranty, UBS (Securities) and Commerzbank's own London branch.

Japan to ease trust bank rules

BY YOKO SHIBATA IN TOKYO

JAPAN'S Ministry of Finance plans, from early next month, to permit trust banks to handle certain foreign currency money trusts and discretionary trusts. The move is aimed to help curb the sharp appreciation of the yen, by increasing demand for dollars.

At present, trust banks must obtain ministry approval for individual trust contracts. In future this will be permitted by way of blanket approval for each trust bank. However, the banks will be urged to use funds under the contracts only for portfolio and other indirect investments.

The ministry expects the deregulation to attract billion dollars investment in foreign bonds and equities. The relaxation will relate to foreign currency trusts from residents as well as yen and foreign currency trusts from non-residents.

Money trusts (Kinsen Shintaku) are accounts placed with trust banks for management, on which the banks pay the principal and dividend to investors in cash. Discretionary trusts (Kingi shintaku) involve the principal and dividend being paid in bonds or equities.

At present, trust banks are only allowed to place yen-based accounts, investment in foreign currency denominated financial instruments. This means that they have to carry foreign currency risks. Trust banks have called for liberalisation of money trusts, in view of the recent trends in the financial markets.

Japan's new finance minister, Kiichi Miyazawa, last Friday instructed the ministry officials to work out measures to ease capital outflow in a bid to stem the yen's appreciation. Mr Miyazawa especially envisages allowing foreign exchange banks to convert yen funds into other currencies for the purchase of foreign bonds and stocks under certain limits to be set apart from the existing ceilings on foreign exchange positions.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. *Closing prices on July 28*

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Conversion: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; EBC Amro Bank; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; LTCB International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Swiss Bank Corporation International; Wood Gundy.

FINANCIAL TIMES SURVEY

Tuesday July 29 1986

Coatings

High technology and powerful market forces are forcing major global and national realignment on the coatings industry. But clear leaders are emerging as the industry settles down after a series of strategic acquisitions by the giants.

Race for global market

THE SHAPE of the world's coatings industry is becoming much clearer this year as the shake-up that has been going on vigorously since 1984 has begun to slow. The strategy of the major paintmakers has emerged and the rest of the decade will see them consolidating and fighting for a share in several key, profitable markets.

More acquisitions are likely, but the pace will probably be more measured—and the prices more realistic. As Mr Paul Lever, new managing director of the Reed subsidiary Crown Paints puts it: "We will always be on the look-out for suitable companies to buy, but not at silly prices."

This is a clear indication that Crown believes that the Dutch paint giant AKZO paid over the odds for the British company, Blundell-Permoglaze at the end of last year. Crown wanted the business badly to help it close the gap on ICI in decorative paint markets but was outbid by AKZO, which also bought the Sandtex brand of outdoor paints from Blue Circle this year.

Mr Lever's view is not sour grapes; most of the rest of the industry also believes that AKZO paid too much. However, the purchase was of considerable long-term stategic significance because it got AKZO into UK paint markets in a big way.

The table of recent acquisitions shows how the big paint companies have been building their armies of companies brands and coatings technologies in recent years. One result is that six of the 10 largest paintmakers in Britain are now owned by foreign companies.

The latest British league

SURVEY BY

IAN HAMILTON FAZEY

table, compiled this month from UK sales figures by the Paintmakers' Association, puts ICI first, Crown second and the Courtaulds subsidiary, International Paint, third. Next comes Berger, which is owned by the German chemicals group Hoechst, and then Donald Macpherson, which was bought by Tikkurila, part of the Finland's Kemira Oy, in 1984.

Sixth comes the one remaining British-owned company in the top 10—Kalon, which went public last year by a reverse takeover into the industrial coatings specialist Leyland Paints. The following places are taken by AKZO, the Swedish group Becker, the other German giant BASF, and, in *10th place, PPG of the US.*

On the worldwide scene, BASF is now in second place behind PPG, the similarly acquisitive US giant, ICI, which has also been buying, went into third place ahead of Hoechst, but there is a clear gap between the three leaders—PPG, BASF and ICI—and the rest. These are the three groups which look as though they will dominate the world paint industry in volume terms in the coming years.

Nearly all the leading companies have adopted a similar strategy. Volume and cash flow come from decorative paints for retail and trade markets, while good profits are obtained from trying to dominate small, specialised industrial market segments with high-technology coatings.

Even the giants cannot cover all segments, however, and they concentrate on particular niches. For example, International Paint leads the world in marine coatings, while Macpherson dominates the UK market for the heavy paints that go on agricultural, construction and earth-moving machinery.

Some technologies such as coil *coating work only because of* high technology. Coils of steel or aluminium are unrolled, passed down a paint line, through an oven to cure the coating in minutes, and then re-rolled.

The coatings are so tough that the metal can be formed into almost any shape without damaging the paint. Casings for domestic appliances and cladding for buildings are made increasingly from coil-coated material, eliminating paint shops and on-site painting. Growth has therefore been consistent, even through the recession. Last year British Steel made 250,000 tonnes of strip worth £120m.

The technology requires the technical depth and willingness to *invest* that *only* the *paint* giants can afford, although in some niches a dedicated medium-sized or small company can hold its own if it is good enough. The emergence of the Evode group in powder coatings in the UK is an example.

Generally, however, many markets are becoming fit only for giants with high technology back-up. While smaller companies are surviving in local or specialised niches, medium-sized companies are being squeezed to death or gobbled up by the giants. Meanwhile, most of the big companies are having to reorganise internally to cope with new portfolios. Some are well ahead and will probably steal a march on their competitors.

For Berger in Britain, reorganisation has been a matter of survival, but the company is clearly through the worst and should be able to exploit better than ever the technological riches of its parent, Hoechst. For BASF, the problem may be coping with indigestion after buying a lesser giant, Inmont, from United Technologies last year.

Corporate cultures have clashed. The US-oriented Inmont was attuned to a quick-return "can-do" outlook, while the new German owner is more concerned with quality and its effect on long-term market share. Marrying the two cultures to produce the synergy BASF wants will take time—perhaps two years even to adjust to how to do it.

ICI is therefore very pleased that it embarked on its internal reorganisation more than 18 months ago. This saw successful managers promoted or moved to supervise key business areas. The people involved are emerging as heavyweights in the industry and their impact on markets is likely to be considerable.

The company is deliberately setting out to dominate its core businesses of decorative paint, vehicle repair, new cars, and segments such as coil coating, drums, cans, packaging and aircraft.

It also wants to reduce over-*dependence* on *its* UK profit base and an imbalanced geographical spread that sees it weak in the US and Japan. In Europe it intends to hoist its market shares nearer UK levels.

This will be partly through acquisition—it is looking for suitable companies in Italy and Spain to add to subsidiaries in France and Germany. But it is also going into European consumer markets directly with new decorative paint technology such as solid emulsion, which is enjoying great success.

Competition has affected prices, so that all paint companies have had margins squeezed by rising costs. As profitability has crashed, the less efficient and those without rich parents have suffered.

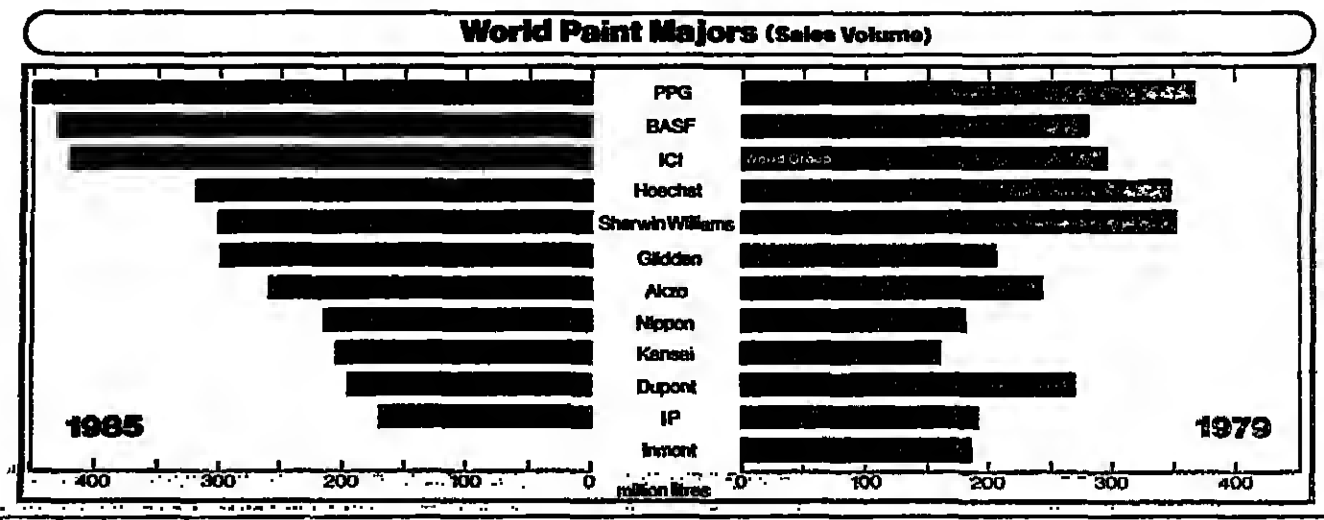
The giants have invested their way out—putting in plant that has cut manpower and unit costs while raising output. Smaller companies have seen returns on sales plunge to as low as 1 or 2 per cent, and pressures will increase further. There is a breathing space this year as the fall in oil prices cut the cost of some raw materials. But this will be a temporary relief, so rationalisation will continue.

The trends look set, however. Big companies will get larger at the expense of medium-sized ones; coatings technology will continue to rise; the most sophisticated paints will become global products; and in the marketplace coatings and colours will get better with consequent effects on design and quality.

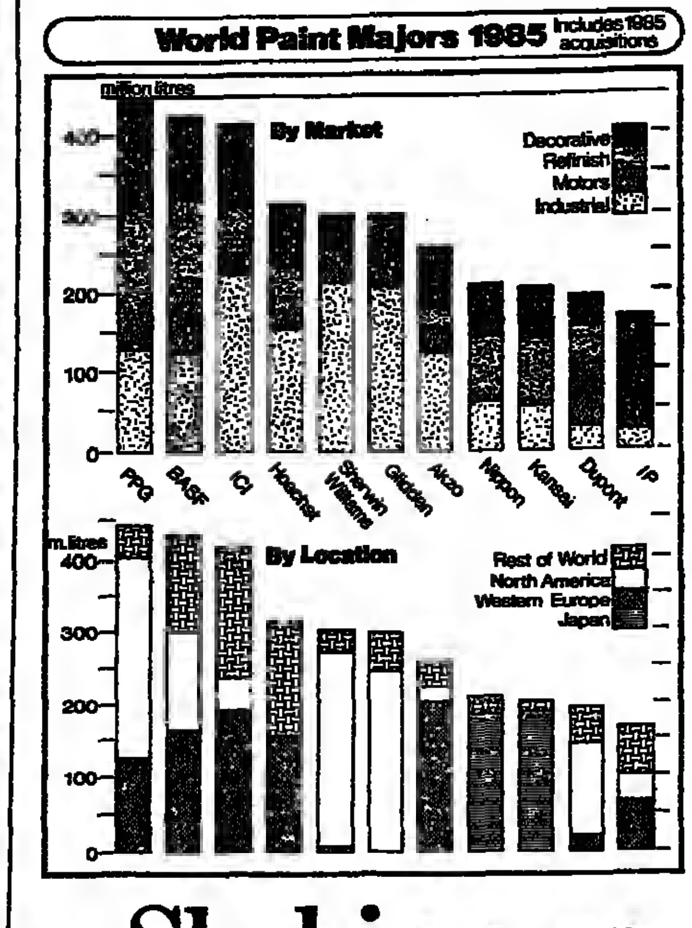
A coil of zinc-coated steel strip leaving the hot dip galvanising line at British Steel Corporation's Shotton Works, Deeside, Clwyd. Last year BSC produced 250,000 tonnes of strip worth £120m

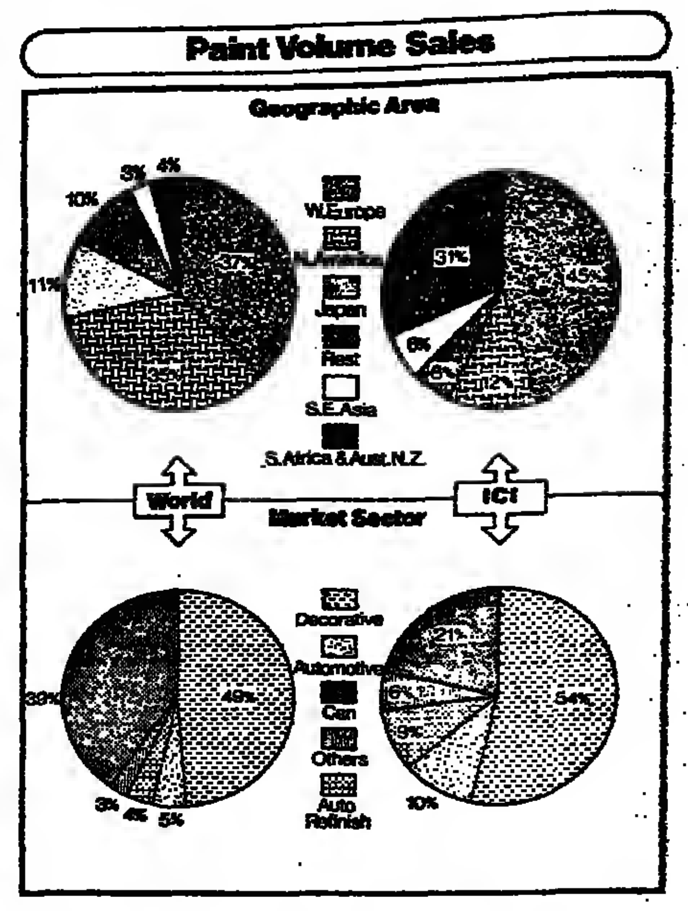
STRATEGIC ACQUISITIONS BY MAJOR PAINTMAKERS

Company	Acquired	Date	Company	Acquired	Date
AKZO (Netherlands)	Wyandotte (US)	1983	Hoechst (W. Germany)	Renault Paints (France)	1986+
	Levis (Belgium)	1984	ICI (UK)	Holdens (UK)	1982
	Blundell-Permoglaze (UK)	1985		Valentine (France)	1984
	Blue Circle Sandtex (UK)	1986		Part Ault and Wibourg (UK)	1985
	Procolor (Spain)	1986		HGW Paints (Ireland)	1935
BASF (W. Germany)	Valentine (UK)	1985		Knopp (W. Germany)	1986
	Mobil Coatings (Netherlands)	1985	Kalon (UK)	Leyland Paint (UK)	1985
	Inmont (US)	1985	PPG (US)	Cipisa (Spain)	1982
Becker (Sweden)	Goodlass Wall (UK)	1984		IVI (Italy)	1984
	Dufay Vanguard (UK)	1986		Part Wulfing (W. Germany)	1984
	Trading Merger with Alcro (Sweden)	1986		Part International Paint (UK)	1985
Crown (UK)	Frazee (US)	1984	Tikkurila (Finland)	MacPherson (UK)	1984



COATINGS 2





Shaking up the old order

WORLD LEAGUE

THE SHAPE of the world's paint industry is beginning to emerge after several years of fierce competition. One trend is now firmly established—paint is becoming increasingly a global prodnct, particularly in high technology markets.

Globalisation among customers has been a major factor in spurring this trend. The most lucrative, high-volume markets are those for cars and cans. It is these that have seen multinational manufacturers moving towards standardised world products that can be produced just as easily in Brazil as Belgium.

Inevitably, they want global consistency of paint and coatings, so it is the global paint company that has the best chance of making the sale. This has encouraged several paint giants to ensure that they can operate much further afield than their traditional bome markets.

Much of whet bas happened in the last seven years can be explained in these terms.

The effect of recession, which has edded to pressures and tightened profit margins, has also been intense. The best-organised paint companies, with well-thougbt out business strategies and the greatest depth of resources, appear to be triumphing, shaking up the old order.

In 1979 that old order had the US company PPG as the world's biggest paintmaker, producing about 370m litres. It was followed closely by another US company, Sherwin Williams, and the German group Hoechst, which owns Berger.

In 1985, PPG was still the biggest, with about 450m litres, but Hoechst and Sherwin Williams had fallen back towards the 300m-litre mark. Moreover, they had slid down the league table into fourth and fifth place respectively as their closest pursuers made impressive advances.

Now, the new number two is the other German giant, BASF, with 430m litres, hotly pursued by ICI with just under 420m, so the three leaders are now considerably ahead of the rest of the field.

The reason why BASF shot up the league was that it bought Inmont, another US paint company, from United Technologies for £1bn. The purchase also made BASF the biggest inkmaker in the world, so it was not just about paint.

However, Inmont is a significant paint company in the world league. It was 10th largest in 1979, with similar output—more than 180m litres—to the Courtauld subsidiary, International Paint.

With Inmont now part of BASF, the world's first division numbers 11 rather than the 12 it did seven years ago. Those gaining in total volume and share have been PPG, BASF, ICI, the US company Glidden, the Dutch market leader AKZO, and the Japanese companies, Nippon and Kansai.

Those going down are Hoechst, Sherwin Williams, Dn Pont and International Paint.

It would be wrong to think, however, that these changes are necessarily the result of superior or inferior marketing, technology and management. In most cases, the change in position was due to acquisitions, divestments, or portfolio changes or swaps.

PPG, for example, seemed rooted in the US with no wish to operate elsewhere other than through licensing agreements on its electrocoating paint technology for the car industry. But now it has started buying into its licensees or acquiring them outright.

In Britain, for example, its main licensee was International Paint in Birmingham. It bought that part of International's business in 1985.

It was only 7m litres, but to this has to be added the 5m litres it took in when buying the motors business of Germany's Wulfing from its Swedish owner Wilhelm Becker, as well as the 50m litres it acquired with the Italian paint company IVI in 1984. It had already bought Cipisa (2m litres) in Spain two years before.

International Paint, which is now at the bottom of the big league—although still e world giant—does not see itself as having lost in this situation, but gained. It has abandoned a market where it was an also-ran and which demanded more group management time and resources than it was worth.

It has now rationalised most of its efforts into marine and protective paints, and powder coatings, operating in both main market areas on a global basis. In marine, it has become the world leader, admittedly in a falling market, but has so increased its share that volume and profitability have gone up.

It also has a reasonably balanced spread of interests in Europe, North America and the rest of the world.

Generally, the global market splits into three geographical segments—Europe (37 per cent), North America (35 per cent) and the rest of the world (28 per cent).

When geographical spread is taken into account it soon becomes clear that four of the big 11 are hardly global companies at all. Sherwin Williams and Glidden have nearly all of their volume in North America and a similar situation effects Nippon and Kansai in Japan.

Du Pont is also overwhelmingly US-based and even weaker in Europe than it is, comparatively speaking, in the rest of the world, while the Dutch giant AKZO has nearly 80 per cent of its business in Europe.

The remainder are the four biggest paint companies and of these BASF has the most even spread throughout the three global segments, because of its purchase of the US-based Inmont. PPG, by buying into Europe, now has ebout 27 per cent of its business there, though 60 per cent of its output remains in North America.

ICI's imbalance is in having too small a portion of its business in North America — 12 per cent. The bulk is split almost evenly between Europe and the rest of the world. Hoechst, on the other band, has a problem in an even split only between Europe and the rest of the world, the latter business coming from Berger's strength in the old British Empire.

This means that six of the big 11 are only regionally, if not nationally based. In the longterm this may affect their ability to sell products and technology on e global basis. It is PPG, BASF, ICI and — though at mnch lower volumes —International Paint that bave done most to spread themselves universally.

Even this will not ensure sales. ICI, for example, bas bad to license its new water-based paint technology for cars to PPG and Du Pont in order to get it into US markets. Going in directly would have been prohibitively expensive and might well have sparked off intercontinental corporate warfare.

Geographical segmentation, however, does not go far enough in assessing strength and weakness. What has to be considered too is the portfolio of markets and technologies possessed by each of the giants — the spread between decorative, motors, vehicle repair and general industrial paints.

Decorative paint tends to be a high volume, medium technology commodity in contrast to the coatings made for the other segments. These are high technology, high added value products on which premium prices can be achieved, despite the industry's continuous beef ebout low pricing.

The breakdown between the segments is that decorative paint accounts for 49 per cent of world markets, cars 5 per cent, vehicle repair 4 per cent and industrial coatings 42 per cent. The industrial segment is made up of very many different markets and mastering the technology in ene of them can often enable a relatively small company to dominate that market niche worldwide.

One way for the giants to grow is to buy such companies—so that they buy a niche. However, this only makes sense if the niche and the technology involved fit with what the giant already has in its portfolio.

When the structure of each of the big 11 is analysed by market, International Paint, with its concentration on marine and powder technology, emerges as the world's biggest industrial paintmaker, followed by PPG. Next come BASF, ICI, Hoechst, Glidden and AKZO et around the same size each.

PPG and BASF then have the largest volume in the motors market, with the two Japanese paintmakers third and fourth. BASF and Dupont lead in vehicle repair.

When it comes to decorative paint, bowever, ICI has the edge, with Sherwin Williams end Glidden close behind but well ahead of Hoechst in fourth place. Since these are geographically-based markets, none is a threat to the others.

Is this picture now likely to change much? Probably, the shape of the first division of the world paint league is now established. Growth of the major companies will be by acquisition of medium-sized businesses or market segments in individual companies, although monopoly and anti-trust legislation will probably mean each doing it abroad rather than at bome.

A lot may also depend on whether the regionally and nationally based companies such as AKZO, Nippon and Kansai — which have a high proportion of their business in high technology industrial paints and automotive paints, rether than decorative ones — decide to follow the PPG example and branch out across the continents.

Bread and butter business

DECORATIVE PAINT

MR PHILIP HANSCOMBE, who heads ICI's decorative and overseas business areas, sums up tha effect of the major change in the retailing of paint in the past few years. "The high street as a place for selling paint is not good news at the moment," he says.

Where shops selling decorators' supplies flourished, many dedicated to the products of one paintmaker, they are failing now. This is the age of retail "sheds," the Do-It-Yourself (DIY) superstores which sell everything for tha handyman. They do not need a high street frontage, but acres of space for car parking outside their front doors.

Places like W. H. Smith's Do-It-All centres via with B and Q to attract the retail customer. The cans of paint on the shelves will offar a limited choice—two "branded" ranges, if that, and an array of "own-label" paints. It is symptomatic of what has happened to decorative paint in UK markets.

Decorative paint is the biggest market segment the industry has. It is its bread and butter business. It is divided almost equally between DIY and trade, the latter consisting of professional painters and contractors.

The shape of the segment, and the market forces that govern it, are causing some concern in the industry. Decorative paint in Britain used to be dominated by four companies—ICI, Crown, Berger and Macpherson, the last of which make paint for Woolworths stores.

What bas happened is that ICI and Crown have now grown rapidly at the expense of Berger and Macpherson. Between them, the two leaders now have 51 per cent of tha decorative market, with ICI selling twice as mnch as Crown—34 per cent to Crown's 17.

Mr Eric Thurston, who heads Crown's decorative division, says that what counts now in this market is the total relationship between paintmaker and retailer. The retailer buys in high volumes and bas more power than ever before. He wants security of supply, guaranteed quality, good prices, innovation, and the knowledge that the manufacturers will promote their brands hard.

Mr Alfredo Daniels, ICI's general manager for the UK decorative market, puts media spending in support of its brand Dulux at £9m. Crown's media spend is between £5m and £6m. Berger has now withdrawn from high profile media promotion altogether, an admission that it is out of this particular race.

Mr Philip Medcalf, UK marketing director of Berger, treats this view calmly. Berger is playing the game differently now. The company has just come through several years of turmoil trying to disentangle itself from a centralised, top-haavy bureaucracy that had seen it lose the advantages of having invented vinyl silk and non-drip gloss.

Hoechst, its German parent, has supported it through this period of continnous losses even though the reorganisation has cost more in time and money than was first envisaged. In charge is Mr Bill Collins, whose managerial skills are highly respected in the industry.

Mr Medcalf, who looks a lot more relaxed and cheerful these days than he did a year ago, says: "Wa had an upsurge last year in the second half as tha reorganisation of the previous year took effect — and had a 2 per cent increase in market share in the DIY business."

What Berger claims is a branded share of decorative markets — retail plus trade — of 12 per cent. It expects market fragmentation into specialised products for specific jobs like painting or treating wood to benefit the company because it owns Cuprinol. "Berger Cuprinol is our major brand now Magicote has declined," Mr Medcalf says.

He adds: "It would take us £10m a year of media spending for five years to get back into brand leadership and that is not realistic. Bnt it was very important to us to achieve economies of scale. Wa have done so by making own-label paints for retail markets."

Indeed, own-labels have given Berger another 7 per cent of decorative markets. This, Mr Medcalf says, makes Berger bigger than Crown, withont having to spend millions on television advertising. He expects to stay that way unless Crown moves beavily into own-label paints, too. Many in the industry believe this is inevitable.

As things stand, there is an intense struggle for the 30 per cent of the market that is left when the shares of ICI, Crown and Berger are added together.

Emergent—and increasingly prominent—is the Kalon group. This was founded by Mr Leslie Silver in 1947 and has grown rapidly in recent years by acquisition, going public by a reverse takeover into a quoted company, Leyland Paint, in 1984.

Kalon achieved 5.5 per cent profit on £80m of sales last year, well above the industry's everage, despite the tightness of margins generally. All of its competitors are watching carefully.

Among them are Petrofina's Sigma Coatings and the C. H. Industrial'a subsidiary Cementone-Beaver. At a time when tha industry is suffering from over-capacity, these two companies astonished many of their competitors by building a jointly owned, £8m factory at Buckingham this year.

Stacks of own-label cans in the warehouse testify to what soma of its throughput is. The two companies operate in complementary parts of the decorative market—Sigma supplying retailers and Cementone-Beaver mainly concerned with trade painters. Since they have similar volumes of output they have been able to share facilities equitably.

The logic behind the factory is explained by Mr John Cunningham, the director in charge. Its capacity is 15m litres of paint a year. Each company was doing 5m litres in their old, outmoded factories. Each needed to expand, but could not justify building to a size that would provide e realistic economy of scale.

Their joint investment enables them to make six batches of 7,500 litres of paint per day. Sigma's old plant did two a day of 4,500 litres each and it took two-and-a-half bours to mix the materials. Mixing is now automated and takes 30 minutes. Total output is already running at 12.5m litres a year and rising.

Moreover, the new plant runs with a total complement of 67 people. Sigma used to employ 45 on a nearby Buckingham site, while Cementone-Beaver had 55 in a factory in Leeds which it was able to close.

The joint factory as a unit also has much more purchasing power for its raw materials than the two companies had separately. The overall result is that Sigma has been able to end a run of losses at Buckingham while Cementone-Beaver has increased greatly its competitiveness. Tha investment means that the market is likely to hear a lot more from these two companies.

The fact of their co-operation also testifies to another trend in decorative markets — an increasing differentiation between the retail and trada segmants. "There are two different markets. It is a salutary lesson we have learned," says Mr Eric Thurston of Crown. "You sell to the consumer in one and the user in the other. They have different needs."

Mr Medcalf says that the trada has become much more professional and efficient and demands e combination of quality assurance and good distribution. Berger also discovered that one-third of the DIY shed sales of its mixing and tinting system, a technological advance which uses Hoechst colourants, were being bought by the trade. It has now equipped trade distributors with it.

"In the trade market, absolute market share is less important than the number and quality of your distributorships," he says.

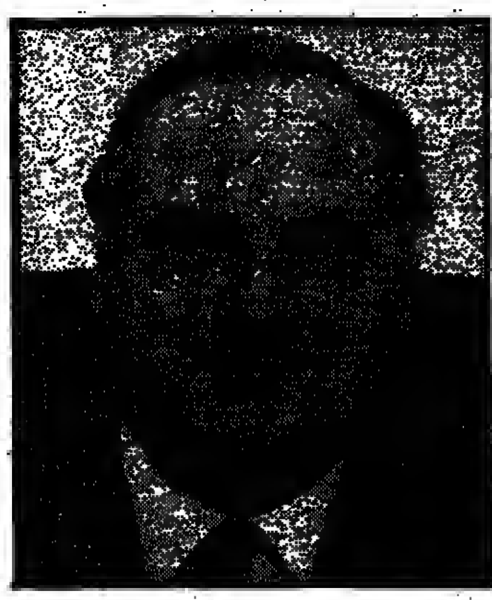
The main competition in tha trade sector now appears to be between ICI, Crown, Berger, Johnstone's, Manders, Kalon, Valspar (part of Goodlas Wall, which is now owned by the Swedish Becker group), Cementone Beaver and one other — they are all worried about the entry into the UK of tha Dutch giant Akzo. Its Sikkens brands lead in the Netherlands, along with Sigma.

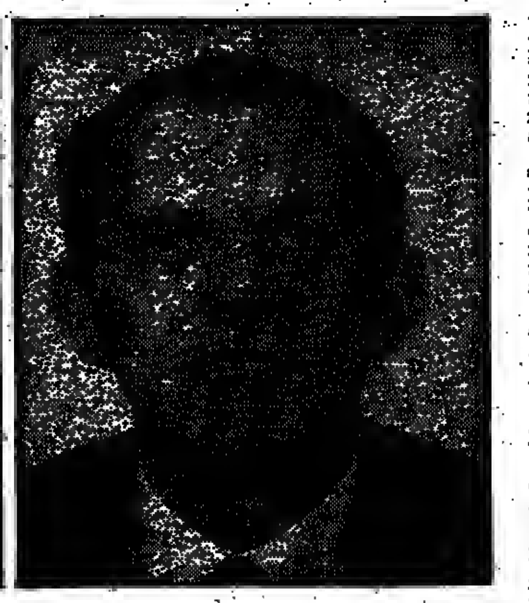
By buying Blundell-Permoglaze and Blue Circle, Akzo has become instantly very strong in the trade marketplace, with good products and a firmly-based distribution system. Crown lost the battle to buy Blundell-Permoglaze and admits that it wanted the company badly.

Berger's management believes that Crown also tried to buy Sandtex—a brand feared even by ICI with its Weathershield paints—but Crown refused to confirm this.

Is so much competition a good thing? It has certainly kept prices down—but to the point where many paint companies struggle to make profits at all, with medium-sized businesses squeezed more and more. This threatens jobs and promotes long-term monopoly.

However, the benefits to quality, even at the commodity end of things, have been immense, not least because of the standards set by the market leader, which put everyone on their mettle.





Mr Philip Hanscombe, head of ICI's decorative and overseas business areas: the High Street is no longer a good place for selling decorative paint. Right: Mr Roger Hatfield, Postans' director: jewel in the crown is Syntha Pulvin

Strong world-wide growth of market sector

POWDER

BRIGHTLY COLOURED window frames are one of the striking features of the new, modern buildings of the Isle of Dogs in the London docklands and the new town of Milton Keynes.

They are symptomatic not so much of fashion as of new technology. Before powder coatings it was impossible to achieve anything like the same effect.

Because of this, they also mark the remarkable emergence of tha Birmingham-based Evode group — better known for adhesives — in UK paint markets. Evode has owned Postans since 1981, and in 1984 added Worrall's powders to its stable.

Worrall's makes powder coatings for industrial use, and so does Postans; but the jewel in the latter's crown is a patented, premium-priced polyester coating called Syntha Pulvin. This accounts for a third of its powder sales, and it is this that is on the window frames of tha new buildings.

Mr Roger Hatfield, Postans' director and general manager, says: "About 80 per cent of architectural aluminium is powder-coated, and 85-90 per cent of this is coated in Syntha Pulvin. The other 20 per cent of the market segment is anodised aluminium, and they are struggling."

Evode is and is not Britain's leading powder coating manufacturer. It does lead in home markets, but the honour of being the biggest UK-owned powder paintmaker goes to International Paint. The two companies present an interesting contrast in strategy—Evode, the medium-sized paintmaker, growing from a small home base; and International, the giant, going for a global approach.

The UK home market is about 11,000 tonnes of powder at present. The two Evode companies have 2,500 tonnes of this between them, and they lead. International are second and Mr Hatfield says that Macpherson and Becker are joint third. After that coma Croda, Sonneborn and Rieck, and Manders. Then 13 smaller manufacturers.

International's perspective is wider. It predicts a world market of 200,000 tonnes in 1987-88, with 40 per cent in the US, 35 per cent in Europe and 25 per cent in the rest of the world. By then, its worldwide investment programme will see its present output of 6,400 tonnes a year up to 13,000 and rising.

Its manufacturing plants are in the UK, Australia, Brazil (where the company has a 70 per cent market share), France, Korea, the US and West Germany. In each country it is developing a base from which to expand its global share, which is expected to build gradually over the years as it races foreign competition from Corrucoat and Ferro, which have adopted global strategies in powder too.

Powder is important, because the market segment is growing worldwide by about 15 per cent a year. In the UK, tha figure is more in the 10-12 per cent range, but in the US growth is spurting at 30-40 per cent annually. A combination of cost-savings from using the technology and environmental pressures are forcing the fastest growth.

In Britain, where there is less concern about the environment than in North America, Scandinavia or West Germany, commercial advantage alone is the driving force, though Mr Hatfield might argue that the cosmetic aspects of building design have something to do with it too.

What powder coating does is enable painting to be accomplished without emission of solvents, simply because there are none. The paint is a mixture of pigment and resins in powder form. When sprayed on to a heated surface, they melt, react and disperse, curing to an even coating that can be made as thick as required, according to need.

Spraying is through an electrostatic field, so that particles pick up charge and then earth themselves on the object to be coated. Any powder that misses falls to the bottom of the booth, from where it can be recovered and recycled.

Getting into powder manufacture is not easy. Whereas almost anyone can make rudimentary wet paint on a stick-and-bucket basis, powder requires deep understanding of resin systems and carefully automated production.

Once mixed, the formulation cannot be adjusted—global consistency of a particular shade of green can only be guaranteed for year after year by people who know what they are doing from the outset. That window frames coated in Syntha Pulvin have an agreement certificate for up to 40 years, conpled with the fact that Postans have never had a call on their warranty in 11 years of use, speaks for itself.

However, Evoda's emergence also tells another tale—how a medium-sized company can survive in today's high technology markets. While other medium-sized paintmakers are being squeezed to death, Postans and Worrall's are fulfilling Evode financial performance standards that, Mr Hatfield says, are "well in excess of those of the industry."

Tha two companies account for about 13 per cent of Evode's turnover at present, he says, with Postans doing about £9m on its own. Assets are being turned over seven times by Postans and four times by Worrall's: amazing figures compared with industry averages of undar 2.5.

"In an industry that is declining, we are growing at 12 per cent a year," Mr Hatfield says. Yet, 15 years ago his company, Postans, had less than 1 per cent of industrial surface coatings in the UK and was just another small, local paintmaker. Significantly, Postans will be finally abandoning decorative paint markets later this year.

Meanwhile, it will then be well on the way to becoming international. It has gone into e joint venture with the Dexter Corporetion of the US to manufacture powder coatings in—by coincidence—Birmingham, Alabama.

Understandably, the giants are taking a lot of notice of Postans and Worrall's, which are fortunate to have the strength of the Evode Group around them.

COATINGS 4

Haunted by predators and slim profits

MEDIUM-SIZED COMPANIES

IT IS the medium-sized paint company which is most at risk of failure or takeover under the global and national pressures now affecting the industry.

There are 180 paint companies in the UK, the vast majority of which have yearly sales of under £20m. While the bulk of the industry is made up of small companies turning over *less than £5m a year*, there is a substantial wedge of 30 to 40 medium-sized businesses.

Pressure on them is increasing. According to two experienced managers in the industry, Mr Tony Hornsby and Mr Louis McCulloch, there are six principal reasons for this.

1. Sluggish demand and accelerating change in structure in many UK markets.
2. Closure of many export markets through tariff barriers and local manufacture in Third World and other less-developed countries.
3. *Over-capacity of prodoction.*
4. Raw material price increases significantly greater than overall norms in industry as a whole.
5. The growth of powerful purchasers, and the consequent effect on prices, which favours *the larger paintmakers.*
6. The financial muscle of international conglomerates—such as ICI, BASF, Hoechst, AKZO, Petrofina and Courtaulds—which enables them to suoport paint subsidiaries in difficult times even if short-term losses result.

Mr Hornsby and Mr McCulloch ara both casualties of the shuffling and displacements that bave affected the industry recently.

Mr McCulloch left one company to find that within e year his new employer hed been taken over by his old one and be was back in the managerial slot he thought he had advanced from and facing rationalisation.

Mr Hornsby knows a lot about the sqneeze between rising costs and low prices because he *used to run* Blundell-Permoglaze. He tried to lead a movement towards more realistic price levels last year but the rest of the industry—though it remains unstinting in praising his courage—did nothing immediately about *following* his move.

Blundell-Permoglaze was out oo a limb, suffered severe internal disagreements, and tried to retreat. In the ensuing turmoil—which led to poor financial results—it was eventually bougbt by the Dutch giant, AKZO for £15.6m, beating off a strong challenge by Crown Paints.

In the last few months both men, now *independent* consultants, have joined forces to produce a comprehensive survey of Britain'a paint industry. Since *individual* companies in the industry are usually very secretive about performance and market share for fear of giving *something* away to competitors, this independent insider material is likely to prove a good seller.

The survey's view is confirmed from a different perspective by Mr Quintin Knight, one of the directors of ICI's paints division. He *sees* the pressures mounting on medium-sized paint companies throughoot the world because of several other factors.

Only tha international giants and bigger national companies have a commercial level of accredation with large-volume, *high-technology customers.* In any event, medium-sized and smaller customers are "unable to keep up with the game in research and development spending," Mr Knight says.

ICI sees this sort of pressure forcing increasing numbers of smaller and medium-sized companies out of high technology into commodity markets, such as those for the more simple decorative paints. Prices here are likely to be the most competitive and, with rising costs of raw materials, profits will be squeezed tighter.

This, in turn, will make *it* even more difficult for other medium-sized companies to keep up what spending they *can afford on research and de*velopment, so the spiral will continue, with more companies being sucked into it.

Where *medium-sized* and smaller companies survive in high-technology markets, it is through highly specialised *niche marketing.* Survival then depends not so much on technological or marketing skill but on ability to resist takeover by e giant wanting to add the niche concerned to its portfolio.

The effect of these pressures is *illustrated sharply* by the annual statistical review of the Paintmakers Association, published this month. Nearly all the figures relate to financial year ended between September 1985 and March 1986, so they are the most up-to-date available.

Two out of three contributors to the review reported worse results for 1985 compared with 1984. "With profitability among the medium-sized companies taking a severe hammering," according to the association's chief executive, Mr Michael Levete.

Total profits declined from £36m to £30m, profits on net assets fell from 10.8 per cent to 8.9 per cent and profit margins fell sharply as gross margins continued to deteriorate.

This was despite an increase in sales overall of 3.3 per cent. What pnt the squeeze on profits were cost increases of 4.6 per cent against price increases of only 3.6 per cent, although the review says that better prices started to be achieved towards the end of 1985.

While employee costs rose by 5.2 per cent, total numbers employed fell by 573. This contriboted to an increase in productivity of 7.5 per cent but this was largely doe to good results among the largest manufacturers.

According to Mr Hornsby and Mr McCulloch, numbers employed in the industry have now *fallen from* 27,000 in 1979 to about 22,000 in 1985. The Paintmakers' new statistics confirm that *employment is* continuing to decrease while overall output continues to rise. The longer-term overall move*ment is from* 23,450 litres of paint per employee in 1980 to 30,650 in 1984. But this hides e multiplicity of variations.

It is declining profitability that is worrying the industry more than anything else. In 1979, the ratio of profit to net assets for the industry as a whole was 20.5 per cent. Last year it was 8.9.

The contrast with large companies, however, underlines *further* the *strains* that are afflicting the industry. They have been able to afford investment in capital intensive plant, *as well as longer* runs from selling large volumes to higger purchasers. The result was that their sales volume per employee rose 9.6 per cent to 34,639 litres.

It is almost inevitable then, that unless there is a buge increase in demand caused by strong economic recovery, more medium-sized companies are going to have to merge, accept takeover or face going out of business in the next few years.

The fall in oil prices, and the conseqnantly lower costs of some raw materials, will buy time for some, but if productivity gains encourage tha giants to keep the lid on price rises, it will not amount to much.

Britain's Paint Industry, by A. C. Hornsby and Louis McCulloch, is published by Jordan Information Services at £150.

Fierce battle for a £1.2bn market

VEHICLE REFINISHING

IF THERE is one market segment where the paint giants can be truly said to be at war, it is vehicle refinish—the supply of paint for repairing damaged cars. The segment is a high technology, global one and only the giants can hope to compete.

Why they should want to fight *so fiercely is* easy to see from the size of the world market, which is about 300m litres of paint per year at an average price of about £4 per litre. This makes it worth about £1.2bo, so that each 1 per cent of share is £12m of sales.

The market size is also rising. While the number of new cars fluctuetes with the economy, the total numbera of cars on the roads of the developed world is rising as cars last longer and more households acquire second or third vehicles. Inevitably, some suffer crashes and bumps and need to be repaired.

The technoolgy behind the original paint on the vehicle is now very complicated. Increasingly, repairs need special paints. Take the Austin Montego, for example: repairing a wrecked rear bumper, which is made of plastic, costs £68 for a new bumper and £65 for the paint system to coat it.

The world's leaders in vehicle refinish are therefore those companies with the resources and technological depth to fight at the frontiers of polymer chemistry—PPG, ICI, BASF, *Sherwin-Williams,* Hoechst, AKZO, Du Pont.

Sherwin-Williams and Du Pont are US-based and dominant there with *PPG,* which is also active in Europe. BASF is now in the US by virtue of buying Inmont with its 8 per *cent share of that market. But* like the other Europeans—ICI, Hoechst and Akzo—its real battle is in home markets.

The *supply* side of the vehicle refinish segment has seen some of the most significant restructuring of recent years. *The French company* Valentine came up for sale two years ago and ICI swooped. As the UK market leader it could not buy Valentine's plant and distribution oetwork in Britain, but it was glad to get the company's operations in France.

BASF dived in to buy the British business. It already had an 8 per cent British market share through owning Glasurit beck. Valentine gave it another 11 per cent—in theory at least—so it was closing on ICI in the latter's home market, where the company then led with aboot 25 per cent.

Before European markets could edjust to this major realignment, however, United Technologies put Inmont up for sale and BASF bought it for $1bn. Inmont had an 8 per cent share of UK vehicle refinish at tha time. Suddenly, BASF had what looked like 37 per cent of the British market and was number one.

ICI was stung into vigorous action. The company says it was already planning what it did next anyway and this is certainly true—but the speed of execution and the vigour of implementation and follow-through suggest some reflexive, rapid counter-punching.

The company came *in strongly* with its latest two-pack paint system. This technology was introduced by Glasurit (BASF) *in 1974 and the terminology* means that the paint comes in two separate parts, which react to form a fast-setting coating when mixed together. It *is* essential for dealing with repairs to many modern paints, such as metallics.

Mr Roger *Harrison, ICI's* market manager for vehicle refinish, says that the company saw its two-pack sales rise 30 per *cent with total* sales of branded products to vehicle refinishers increasing by one-fifth. Sales of two-pack products exceeded ICI's volume of traditional, one-pack, nitro-cellulose paint for the first time and continne to climb rapidly.

This means that ICI's share of its home market rose from 25 to 30 per cent. Where did the increase come from? Mr Harrison says that BASF's share, through Glasurit, Inmont and Valentine UK, is now 22 per cent, so ICI is in fact claiming that it got it all from them.

Mr Harrison puts Berger, the Hoechst subsidiary, in third place with 14 per cent. (Lesser shares are in the hands of Ault and Wiborg, PPG, Akzo and Max Meyer.) He claims that ICI's grip is such that one in three of all refinish shops in the UK now use the company's products.

The reaction et BASF is to disbelieve the ICI figures. "We believe we have about the same share as ICI," says Mr Peter French, the managing director of Glasurit Beck and Valentine. But ICI says that it did uot want Valentine in the UK anyway because of its old plant and old, nitro-cellulose paint technology. Its share was declining and it was happy for BASF to pick up the problems.

Glasurit Beck was still adjusting to absorbing Valentine when its BASF parent bought Inmont and gave it another massive dose of merger trauma. The fact that ICI is being so candid about its latest figures—it usually keeps them quiet and leaves observers to make educated guesses—suggests that it feels it has the new BASF grouping on the ropes and is making sure the message gets home.

Mr Geoffrey Watson, the senior vice-president of BASF-Inmont, says: "No merger is easy. We are still in the process of transition. A gestation period of two years is needed for one of this scale. We have to get our products right and do more training but there is a very good transfer potential between BASF and Inmoot."

Mr Watson and his management team admit that there are widely different corporate cultures to marry together from the merger. Inmont is naturally orientated to US managerial philosophies, with much more emphasis on short-term financial performanca

BASF, on the other hand, is deeply steeped in teutonic thoroughness, with great attention paid to quality, its control and its long-term assurance. It sees itself in a very long game where quality and depth of technological strength will tell over less careful opponents.

Mr Watson says: "You need e good strong capital base to hang in there. We have that. BASF is building substantially on existing businesses. In addition, it has a world-renowned base of polymer technology.

"*On top of* that BASF *adopts* a zero defect approach to everything it does. This revolves round quality. As far as the *customer is concerned,* zero defect means that if you say it works, it works. More money is being spent on quality controls."

What appears to have happened then is that ICI has stolen a march *on* the BASF army in Britain while it is sorting itself out. Meanwhile, the British giant is eyeing other objectives in Europe and by pushing its new products into France through the part of Valentine it bought, it claims a rising 18 per cent share.

Mr Quintin Knight, the ICI paints division director in charge, says the company is looking for similar purchases in Spain and Italy.

BASF and Hoechst are its main rivals. The latter has had to bear the huge costs of the reorganisation of Berger, while BASF appears to have hiccups brought on by swallowing Inmont on top of a stomachful of Valentine. It is unlikely, though, that either will let ICI steal any more ground from on.

Fight for exclusive niches

SECTORS

ABOUT HALF of world paint sales go to decorative market segments. This is the high volume, commodity end of the industry. The other segments consist of many specialised niches.

Although volumes for specialised markets may be small, high technology ensures that prices and margins are relatively high. Large paint companies therefore try to have a steady base of decorative sales for cash flow while attempting to dominate selected niches.

How this works can be seen at ICI. The company estimates the world market for decorative paint at 49 per cent of total sales. It says that the automotive segment—for new cars—represents 5 per cent: vehicle refinish—for repairing cars—4 per cent, can coatings 3 per cent while everything else adds up to 30 per cent.

Its own shares are: decorative, 54 per cent: automotive 10, refinish 9, can 6 and other segments 21 per cent. In the other category it pushes hard in specific industrial finishes such as coil coating, aircraft, powder paints and packaging, all of which are relatively high added value products bought by big customers.

Some smaller companies, such as Postans, Worrall's Powders and Synthia Pulvin, which are all part of the Birmingham-based adhesives group Evode, coocentrate on one high technology niche — in this case powder coatings — and try to dominate it nationally.

But even large companies may adopt an exclusive niche management strategy. International Paint, for example, is now dedicated almost entirely to globalised marketing of marine and powder coatings, relying on universal applicability of exclusive high technology. However, it also does well in niches like coil coatings and protective paints for things like bridges.

The main market segments, together with their value in Britain, principal suppliers and their prospects are as follows. The value figures were calculated by Mr Tony Hornsby and Mr Louis McCulloch for their study of the industry, and are independent.

DECORATIVE RETAIL (£218m)

What people buy in high street shops and, increasingly, in do-it-yourself superstores. Growth has been strong for about 10 years as technology has advanced. Vinyl silk emulsion, non-drip gloss and, recently "solid" emulsion are all examples of technological breakthroughs deriving from research by the paintmakers' chemical company parents.

The business is cut-throatedly competitive to the point of corporate suicide (see separate article).

The main protagonists in Britain are ICI, Crown, Berger, Macpherson, Kalon, Becker (through buying Goodlass Wall), Manders, Jacoa and Cemetone-Beaver.

DECORATIVE TRADE (£203m)

This is not necessarily the same paint as in the decorative retail segment. Trade paints are those applied by professional painters, whether employed by large companies, government, local authorities, or contractors.

Because the painter can be relied on to follow complicated procedures if necessary, the technology may be more advanced. Main protagonists are ICI, AKZO (through buying Blundell-Permoglaze and Blue Circle Sandtex), Crown, Berger, Macpherson, Becker, Kalon, Johnstones, Manders and Sigma.

Paint for ships, yachts, dinghies, and the like—inside and out. The coatings are high technology ones designed to reduce fouling by marine life. The market has declined with the size of the world's shipping fleets. Excepting the Petrofina subsidiary, Sigma, most giants have abandoned the segment to International Paint. Smaller protagonists include Jotun, Hempel, Leigh, Ameron and Mebon.

Well over 30 per cent of world sales have been won by International Paint so that it dominates the segment globally. The company has increased its sales in a falling market by superior technology and—equally important—computer-aided service that enables any customers to dry-dock a ship anywhere in the world and find the right paint in the right quantity waiting.

OFFSHORE (£3M)

Heavy duty coatings for the offshore industry, with steady repeat business because of maintenance. Most of the main protagonists from the marine sector are in the market, plus Crown, which has developed a high technology range of moisture-curing paints which can go on at zero centigrade in damp conditions.

PROTECTIVE (£32M)

These paints are for things like structural steelwork, bridges, concrete, and railway rolling stock. A common basis of much of the technology means that the same companies compete as in offshore and marine segments, with the addition of Becker, though it has recently sold the bridge painting business of Goodlass Wall to International Paint.

AUTOMOTIVE (£35m)

Probably the most important high-technology niche in the world because car production never stops, even in recession. It also demands globalised marketing of consistent products, so only the giants can compete effectively in the long term.

Environmental pressures to cut solvent emissions when coatings are being cured will favour water-based paints, particuarly in new car plants, and ICI has an 18-month lead on the rest of the world in the latest technology here.

The main protagonists in Britain are ICI, PPG, BASF, Berger, AKZO and Ault and Wiborg. The latter, owned by Sun Chemicals, is for sale.

VEHICLE REFINISH (£72m)

A jungle of a segment in Britain because of high penetration of British car markets by foreign manufacturers. This has meant a very wide range of paints and colours have to be matched. The market is a good one because motor accidents will always happen.

Very small quantities of highly specialised paint fetch very high prices. The level of technical skill demanded of the appicator is increasing constantly. This is the major battleground in Europe for giants like ICI, BASF, Berger, PPG and AKZO (see separate article).

GENERAL INDUSTRIAL PAINTS (£60m)

These paints are for manufactured goods (except vehicles) and are applied by long-used methods, such as spray, brush, or dipping. The market is unlikely to grow in Britain, partly because of the decline in the nation's manufacturing base but also because of new paints and, in some cases, new technologies for applying them that have created market segments of their own (see below).

Technological trends are to tougher coatings which can be applied more thinly, thus saving paint and production time. Whereas many coats of paint used to be applied to goods — primer, undercoats and top coats — often with hand-sanding in between, one or two coats of paints using new technology now do a better job, cutting down on paint and labour.

All of the major paint companies supply industrial paints, usually offering technical services for their customers, and the segment is widely fragmented. In Britain, one private company, Trimite, has a major share, offering bespoke formulations, often in small quantities for most industrial purposes. It turns over about £15m a year, mostly in this segment.

CAN COATINGS (£25m)

A highly specialised segment which is going increasingly global, so long-term market trends favour the giants. The advent of plastic containers to replace conventional cans will hasten this, especially as giants like ICI, BASF and Hoechst exploit the work of their plastics and chemicals divisions.

Container coatings might be a better name for the segment, although a company such as Crown — which does well out of using similar technology to paint things like toothpaste tubes — would rather see it called packaging. Containers are coated inside (in the case of food, for safety, using an inert lacquer) and outside for decoration.

POWDER COATINGS (£22m)

One of the new segments that has been born out of the industrial paints segment. The paint—a mixture of resins and pigment—comes in powder form and is sprayed through an electrostatic field onto the object being coated. The particles pick up the charge and earth themselves on the object, covering it.

The powder is thermoplastic, which means that heating it—usually by heating the object—makes it form a polymer film that looks like paint applied by any other method. Normal paints carry the pigment-resin system in a solvent and the paint cures as the solvent evaporates, so with powder paint there are no emissions.

Also, excess powder falls to the bottom of the spray booth and can be recycled. Coatings are thick and can be made very thick, say for protecting pipelines. The segment is highly specialised with high technological content. Formulation has to be exact because mistakes cannot be rectified later by adjustments in the can or drum, as with wet paint. (See page 3.)

COIL COATING (£16m)

Another new segment that is taking share from the industrial paints market. Coils are rolls of steel or aluminium sheet which are unrolled, painted automatically on a production line and cured in long ovens. They may be rolled up again for storage or cut into sheet lengths immediately.

The motto of the coil coaters is "finish first, form later." The coatings are so tough that the sheet can be bent or formed into almost any shape without damage. Steel profiles for buildings are the most common use but white goods, such as washing machines, are also made in this way.

The technology eliminates the need for on-site painting or paint shops in factories and the segment grew at 14 per cent a year through the depths of recession as many manufacturers switched to using pre-coated sheet to save on paint shop labour and running costs.

ACE (£15m)

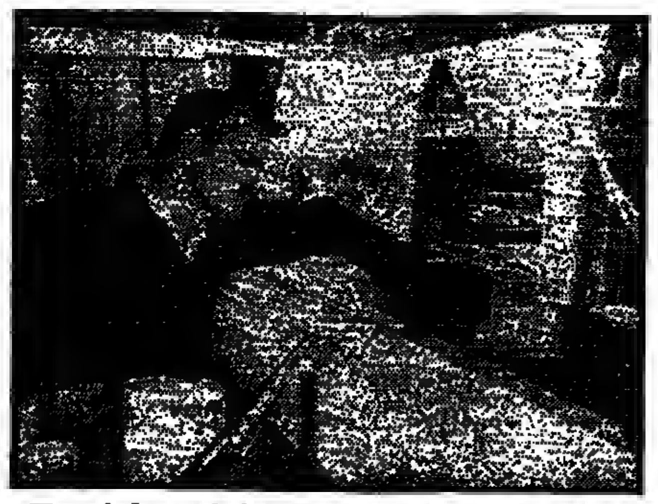
ACE stands for "agricultural, construction and earthmoving equipment." Coatings are designed for heavy duty. ICI divested from the segment, selling to Macpherson, the segment leader. Rivals in Britain are Croda and R. J. Hamer.

WOOD (£14m)

A rapidly developing segment where fashion is a major influence in encouraging the use of, for example, wood stains rather than conventional paint.

Much is made of "microporous" coatings which allow wood to "breathe" after application. The larger paint companies treat this terminology as advertising hype. What is called "microporosity" is a narrow range of permeability, which all wood coatings possess to some extent. An ICI chemist, Mr John Graystone, has written an excellent book/manual on wood, which explains all (obtainable from the company at £10 a copy).

Leading specialists include Macpherson, Berger (which owns Cuprinol), Crown, Sikkens (AKZO-owned), Becker and BASF, although all companies that are big in decorative paint are also into wood.



The windows of the Thistle Tower Hotel, London, were painted in Glasurit Venti 1-2-3 from BASF. This is a speciality finish which serves as primer, undercoat and top coat. Below: used in automotive refinishing, Glasurit's UPS is suitable for application to every type of paintable plastic

Reuters interim profit up by 32%

BY DAVID GOODHART

REUTERS yesterday announced a 32.4 per cent rise in pre-tax profit in the first half of 1986 to £57.2m, and at the same time revealed that it had paid £12m in cash for L. H. W. Wyatt, the privately-owned supplier of voice communication products for dealing rooms.

Mr Glen Renfrew, the Reuters chief executive, said British-based Wyatts would make an excellent fit with Rich Inc, the Chicago-based Reuters subsidiary which designs video and data communications systems for trading rooms.

Wyett's sales for the year ending August 31 will be abont £6m, but it is now expected to grow quickly in the US in conjunction with Rich.

Reuters' turnover increased by 26.1 per cent in the six months to £268.2m, and after-tax profit was 41.7 per cent higher at £35.5m helped by a reduction in the tax rate from 42 per cent to 38 per cent. Earnings per ordinary share were 8.6p, up from 6p in the first half of 1985.

Growth was strongest in Europe, where revenue increased by 46 per cent, followed by Japan and Australasia. The growth was restrained in sterling terms by currency movements—for example US growth was only 1 per cent in sterling terms hnt 19 per cent in dollars.

The underlying growth averaged over 30 per cent, but the effect of currency movements on profit was negligible.

Mr Renfrew said the introduction of the Reuter Monitor *Dealing Service* to Jepan boosted total sales in that country and closed e major gap in the global dealing network.

Orders in North America came in et more than double the 1985 rate. Cancellations were relatively heavy in parts of the Middle East, Latin America and Africa, but the effect was absorbed by the pace of growth elsewhere.

The return on capital employed rose from 24 per cent in the first six months of 1985 to 25 per cent in the first six months of this year. Research and development spending was np from £8.2m to £8.7m.

The group figures include revenue of £17.5m and pre-tax profit of £3.4m contributed by Rich, but exclude sales of Rich systems through other parts of the group.

Mr Renfrew said the number of installed video terminals had risen 57.7 per cent to 85,792 from 54,400 e year ago.

The Reuters directors have declared an interim dividend of 1.75p per share, compared with 1.25p for the first half of 1985. The results were broadly in line with forecasts, but Reuters share price rose 3p to 503p.

See Lex

Store opening costs hold back Hillards

Hillards, the West Yorkshire-based supermarket operator, lifted its pre-tax profit by 10 per cent, from £8.14m to £8.96m, in the 53 weeks ended May 3 1986. Turnover, including VAT, came to £281m, a 9 per cent rise over the previous £257m.

Chairman Mr Peter Hartley explained that the year remained competitive and, together with the costs involved in opening fonr large stores, had an effect on the results.

Operating profit was np 17 per cent to £10.2m, but interest charges increased substantially from £619,000 to £1.26m—net borrowings at year-end stood at £16.4m (£6.9m).

Net interest on expenditure incurred on the ecquisition and development of new stores was capitalised, and in 1985-86 this added £445,000 to the profit after interest.

The chairman said that for the opening twelve weeks of the current year there had been en encouraging increase in turnover, and be helieved the year would *show* the planned increase in both turnover and profits.

Capital expenditure in the year was £17m, and for the current period was put et £13m to £17m depending on the timing of site ecquisitions and the start and phasing of building costs.

At the end of May the group was operating from 39 stores with e total selling area of 747,500 sq ft.

After tax £2.73m (£1.75m) net profit for 1985-86 worked through at £5.77m (£5.98m) with earnings et 11.73p (12.19p). Tbe final dividend is 2.3p for e net total of 3.3p (edjusted 2.9p).

• comment

With this set of results Hillards matched the City's expectations perfectly, yet a sober note was struck by the fall in sales at existing stores. Hillards attributes the decline to the unprecedented level of competition with 12 directly competitive new stores opening in the course of 1985/86. Newcomers to the north, Tesco and Sainsbury, and locals Asda and Morrisons, showed no signs of becoming any less-aggressive. Increased competition is something that Hillards must learn to live with and that it cannot *stave* off by protecting margins et the expense of turnover for much longer. Analysts are more concerned, however, that the company is failing to keep paca with trends within the food retailing sector. The stores are slowly, but surely, being redesigned, and new product ranges, such as health foods, being introdnced, but the changes will take time to filter through. Hillards has been bandied about as a bid target for so long that even the most active of bid mongers have grown bored and the shares have fallen from 250p to 193p. Despite the fall, potential profits of £10m for 1986-87 put the company on e prospective p/e of 15 which looks a little high given the relative ratings of the more dynamic stocks in its sector.

SE listing for shares in warship builder

BY RICHARD TOMKINS

VSEL CVONSORTIUM, the newly-privatised warship builder which was bought from Britisb Shipbunilders by an employee-led consortium earlier this year, will acquire a Stock Exchange listing on Thursday when it comes to the market through an introduction.

Renamed VSEL to distinguish it from Vickers, the *diversified industrial group*—which owns the former Vickers yard at Barrow-in-Furness and the former Cammell Laird yard at Birkenhead—is now the only British company building submarines.

This year lt has won Ministry of Defence orders worth £1bn for the first Trident nuclear-powered submarine, three diesel-electric hunter-killer submarines and a nuclear-powered hunter-killer submarine.

The listing particulars for Thursday's flotation show pre-tax profits falling from £20m in 1982 to a deficit of £6.4m in *1984 before recovering to* £2.4m in the year to last March. Turnover has grown over the same period from £260m to £323m.

For the purposes of the flotation, earnings per share have been calculated on a proforma basis as if tha group had been on e post-flotation basis for tha full year. By this reckoning, earnings come out at 34.2p.

The shares were offered to employees in March at £1, and this is the price et which they will come to the market. The historicel price/earnings ratio is therefore under 3.

When VSEL was privatised, the consortium which bought it arranged for 20 per cent of its shares to be made evailable to employees and their families, pensioners, and people living close to its yards.

More than 11,500 employees and 5,000 local residents are now shareholders. The rest of the equity is held by insurance companies, banks, pension funds and other institutions.

No new shares are being issued in the flotation, and employees are thought likely to retain their holdings. However, enough sellers are likely to *emerge* to *make* for a lively market if dealings begin at a premium.

The Stock Exchange introduction has been arranged by Lloyds Merchant Bank with Hoare Govett as stockbrokers.

Maxwell apologises over breach of SE code

By David Goodhart

Mr Robert Maxwell, publisher of Mirror Group Newspapers, yesterday apologised to Sir Christopher Hogg, chairman of Reuters, for what may have been a serious breach of the Stock Exchange code on the sale of shares by directors.

Mr Maxwell, who is a Reuters director, disclosed two weeks ago that the Mirror Groop had sold its entire stake of 2m ordinary "B" shares in Reuters at the end of June, thus transgressing the rule that directors should not trade in the two months period before the announcement of interim or full year figures.

The "closed" period usually applies only to shares owned personally by a director but under the Companies Act 1985 if an individual owns more than 30 per cent of a company the trading by that company counts as personal dealing teo.

Mr Maxwell later replied that the sale had been made without his knowledge. He said: "I have informed the chairman of Reuters that the disposal was made by a committee of the Board without informing me. That was inadvertent and I have expressed my regret." The ultimate ownership of Mirror Group Newspapers has always been surrounded in some mystery but Mr Maxwell's apology could be taken to signify an admission that he does own at least 30 per cent of the company.

After the Mirror sale the Reuters share price fell to about 475p but has now recovered to 503p.

● Another large block of B shares is set te change hands later this week. Merrill Lynch has notified the US market that it is making a secondary placing of 3.6m American Depositary shares—equivalent to 21.8m B shares of which 19.6m are owned hy Australian Associated Press and the balance by Rich Inc family interests.

Saatchis buy NMC shares to cut dilution

By Frank Kane

Mr Charles and Mr Maurice Saatchi, the brothers who head the world's largest advertising agency, yesterday increased their stake in NMC Investments, the fibre board and investments group, via the acquisition of 2.35m shares each. Between them, this is nearly 28 per cent of the present equity.

The sellers are East Rand Consolidated and investment clients of City Group. ERC retains a holding of 3m shares (17.4 per cent of present equity), which it has agreed not to sell for a period of two years without NMC's agreement.

NMC's shares rose 7p to 135p on the announcement, hut it seems unlikely that the purchases are the prelude to a full scale bid. Rather, the deal is to cut the dilution of their present stake—around 15 per cent—implied in the issue last week of 8m NMC shares as payment for Interploy, a privately owned security wrapping company.

After the issue the Saatchis' aggregate holding will be just over 26 per cent. Mr Norman Gordon, *NMC chief* executive, will have around 12 per cent.

GEC denial

General Electric Company (GEC) has denied press speculation that it was planning to make a bid for STC if its offer for Plessey failed.

"GEC wishes categorically to deny that it is contemplating making a bid for STC," it said in a statement.

Pegler integration takes priority for F H Tomkins

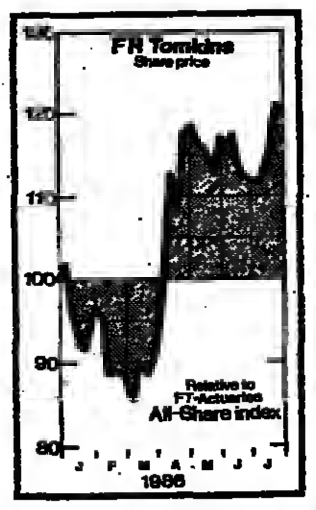
F. H. Tomkins, which last month narrowly succeeded in a bitterly contested takeover for valva maker Pegler-Hattersley, yesterday announced more than doubled profits for the year to last May 3. At £7.36m against £3.52m, these were rather higher than the company had forecast in its offer document.

Mr Greg Hutchings, the chief executive, said that the immediate task was to integrate the Pegler businesses to ensure that they performed to Tomkins' standards. "We are making improvements in financial discipline, and that is the aree we are working on," he said.

Mr Hutchings also indicated that there would be no further major acquisitions until Pegler had been assimilated. In the past three years Tomkins has been transformed, largely through acquisitions, from a small West Midlands fasteners manufacturer into one of the new generation of engineering mini-conglomerates with a market value of around £325m.

Group turnover rose from £35.79m to £63.43m, and the pre-tax result was boosted by £645,000 of interest received, against a £655,000 charge.

After tax at £2.71m (£1.8m),



earnings per share, which Mr Hutchings called "our ultimate yardstick," grew by 51 per cent to 12.07p (7.99p adjusted). The final dividend is raised from 1.4p to 1.8p, lifting the year's total to 2.8p against 2.25p.

• comment

Given that F. H. Tomkins's £7.1m profits forecast seemed destined to be beaten by a respectable margin, interest yesterday was focused more on where the money bad come from and what skeletons had been found in the Pegler-Hattersley cupboard than on the pre-tax figure itself. Little light was shed on either. The *GKN acquisitions* apparently responded to the Hutchings touch and yielded £1.7m to its new owner in eight months, hnt there were no numbers to illustrate the difficulties at Webb and FHT — or, indeed, the successes with the two French offshoots. Meanwhile, Tomkins is silent on Pegler's prospects pending a closer scrutiny of the new acquisition's budgets. But if information was scant, one cannot quibble with last year's 50 per cent growth in earnings per share, and on present form Tomkins must be set for ebout £30m in the current year for e prospective p/e ratio of 14 at yesterday's close of 310p. With the cash pile for further acquisitions at £15m plus and *growing, and* Tomkins now of e size more likely to attract investment interest among the pension funds, that does not look demanding.

Parkfield surges to £2.35m

Parkfield Greup, the USM quoted engineering and electrical distribution concern, yesterday announced record pre-tax profits of £2.35m for 1985-86 and at the same time said it intended to apply for a full listing.

The results were prepared on merger accounting principles and profits compared with £1.22m restated on the same basis from the original £374,000.

Stated earnings per 5p share rose sharply to 18.36p (restated 6.97p) and the final dividend is lifted to 2.4p making e net total 50 per cent higher at 3.6p (2.4p).

Turnover rose to £34.7m (restated £32.5m), but with the three acquisitions announced earlier this month—Lightning Distribution, J. & B. Labone and RM Fabrications—Parkfield's annualised turnover increases to more than £100m, compared with £4.8m in 1984-85.

The original Parkfield Foundries operation produced greatly increased profits, as did Foster Electrical Supplies purchased in May, 1985. Fisher (Cleveleys), William Lee and Durham Tube had all traded well up to expectations since acquired and Polarcold was also trading well.

All group companies had shown profits growth.

On prospects, Mr Roger Felber, the chairman, said he believed the company was going to continue to grow rapidly. "Our corporate planning is wholly focused on welding together and developing tha growth of e group resulting in a higher-than-average rate of increase in earnings per share." he added.

He said that Parkfield was continuing to identify interesting acquisition opportunities and provided these satisfied the criteria of improving earnings per share growth, both short and long term, the group would wish to complement its development hy further acquisitions.

The current year had started well, with a strong balance sheet and a net cash position, Mr Felber said.

In order to provida a more liquid market in its shares, the company is to sub-divide the nominal value of its shares from 5p to 2p.

• comment

Parkfield's shares were the best performers on the USM last year and have hardly been lagging in 1986: despite profit-taking the shares rose by 5p to 535p yesterday but that compares with 230p at the beginning of the year. The group's 10 acquisitions under the chairmanship of Roger Felber have put it firmly into the category of mini-conglomerate and the pace of expansion shows no sign of flagging. Inevitably, some question whether progress at the pre-tax level would look quite so robust were it not for Parkfield's ehility to use its paper to edd on profit centres, but an advance from £374,000 to around £650,000 last year for the original foundry operations suggests that there is a good deal more to the growth than sleight of hand. In the current year the three latest acquisitions should take the group comfortahly forward to £8.35m for a prospective p/e ratio of 12 after a 35 per cent tax charge. The rating looks undemanding even if the shares may sleep awhile between acquisitions as there could yet be much to go for under the newly-strengthened management.

Murray Smaller

Murray Smaller Markets Trust improved net asset value per ordinary and per B ordinary *share* from 222.2p to 339p in the year to May 31 1986, and earnings, assuming full conversion of the Bs, rose from 2.73p to 2.84p. The dividend is raised from 2.5p to 2.7p with a final of 1.9p, against 1.8p.

Net revenue came to £813,000 (£784,000) after tax of £471,000 (£508,000).

The directors are to recommend an interim dividend of 0.9p for the current year, and B ordinary holders will receive a *capitalisation issue in* Bs equal in net asset value to the recommended final dividend and the interim for the current year, excluding any tax credit.

A. J. Worthington

A. J. Worthington (Holdings), the textiles manufacturer, turned in a second-half profit of around £26,000 for e full-year loss after tax of £23,000 (£270,000) on turnover up £496,000 at £1.97m for the year to March 31, 1986.

After four years of losses and a first-half deficit of about £49,000, the directors said at the interim stage that tha company was in a stronger position and predicted a "more progressive" second half.

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
146	115	Ass. Brit. Ind. Ord. ...	131	—	7.3	5.6	8.0	7.5
151	121	Ass. Brit. Ind. CULS...	131	—	10.0	7.6	—	—
125	43	Airsprung Group	112	—	7.8	6.8	7.0	5.3
46	28	Armitage and Rhodes...	33	—	4.3	13.0	4.1	4.9
184	108	Bardon Hill	184xd	—	4.8	2.5	20.9	19.2
78	42	Bray Technologies	78	—	4.3	5.5	8.3	9.5
201	75	CCL Ordinary	80	—	2.9	3.6	5.7	8.9
152	85	CCL 11pc Conv. Pf. ...	86	—	15.7	18.3	—	—
225	80	Carborundum Ord.......	225	+2	9.1	4.0	10.9	11.1
94	83	Carborundum 7.5pc Pf.	80	—	10.7	11.3	—	—
85	46	Deborah Services	65	—	7.0	10.8	8.6	8.9
32	20	Frederick Parker Group	23	—	—	—	—	—
124	90	George Blair	124	−1	3.8	3.1	3.2	4.5
69	30	Ind. Precision Castings	69	—	3.0	4.3	18.2	15.2
218	188	Isis Group	168	—	15.0	9.0	12.8	15.1
120	101	Jackson Group	130	—	9.1	5.1	8.2	7.3
357	228	James Burrough	357	+2	17.0	4.8	10.0	9.2
100	85	James Burrough 9pcPf.	100	—	12.9	12.9	—	—
95	56	John Howard Group ...	57	—	5.0	8.8	—	—
870	342	Multihouse NV	850	—	—	—	44.5	66.1
380	280	Record Ridgway Ord....	375	—	—	—	8.7	11.8
100	89	Record Ridgway 10pcPf	89	—	14.1	15.8	—	—
82	32	Robert Jenkins	73	—	—	—	3.2	4.8
35	28	Scruttons "A"	35	—	—	—	—	9.0
96	95	Torday and Carlisle ...	96	+1	5.7	5.9	5.8	5.9
370	320	Travien Holdings	320	—	7.9	2.5	5.7	8.6
67	25	Unilock Holdings	66	—	2.9	4.2	12.2	11.4
180	93	Walter Alexander	180	—	9.6	4.9	10.2	12.4
226	180	W. S. Yeates	180	—	17.4	9.2	19.0	21.1

UK COMPANY NEWS

Berkley's Authority tender offer is failure

By Frank Kane

Berkley House Group, privately-owned property developer, still has hopes of a close trading relationship with Authority Investments, despite the failure of the £1.6m tender offer which would have given it a decisive say in the property and investment group's future.

The result of the tender was announced yesterday, showing that only some 3 per cent of Authority holders had accepted the offer of 500p per share, compared with a current market price of 420p.

Berkeley had hoped for a maximum of 18.8 per cent. With its existing stake that would have enabled it to block the proposed £6.6m deal between Authority and Management Group, a vehicle created by Mr David Backhouse and two City financiers. The deal is due to be voted on at an extraordinary meeting tomorrow.

Mr Andrew Curtis, a Berkley director, said last night that his company had agreed to meet the new Authority board soon after the meeting. "Just because the tender has died," he said, "that does not mean there is nothing we can offer the company."

It seems likely that any arrangement between the two will take the form of a trading agreement rather than an equity deal. Mr Curtis stressed his company's expertise in refurbishment, and claimed that Authority's portfolio was in need of attention.

A renewed bid for Authority/Management does not seem on the cards, with around 65 per cent of voting strength, including the board, against the Berkley tender from the outset. But Mr Curtis said that Berkley would hold onto its existing 6.3 per cent stake.

Lighting gives Whitecroft better start

WHITECROFT, Cheshire-based holding company with interests in textiles, building supplies and lighting, had started the year well, Mr J. Tavare, chairman and managing director, told the annual meeting. Profits for the first quarter were substantially ahead of last year.

In particular he said the lighting division had performed exceptionally well. After last year's results, which were down on the previous year, the division had its best start to the year.

Of the group's hostile bid for Eleco Holdings, construction, engineering and property company, Mr Tavare was confident a merger would bring benefits. Although Eleco's results were not as good as forecast Whitecroft was sure that results could be improved.

At other annual meetings Mr Ken Roberts, chairman of Norcros, said that despite disappointing activity in the construction industry the company should be ahead at the interim stage.

He welcomed the Government's beginning to play a greater part in the stimulation of the economy.

Cranswick Mill Group, holding its first meeting since it joined the USM, should maintain growth throughout the present year and was well placed for the future, Mr Richard Marginson, chairman, said.

Norton Opax on target with £3m profits leap

Norton Opax, security and specialist printing group, continued to achieve significant growth in the second six months ended March 31, 1986. After more than doubled interim profits of £2.13m, year end pre-tax figures jumped from £2.2m to £5.17m, on turnover of £72.1m, against £40.7m.

The result was in line with the £5m forecast in March, at the time of the £110m offer for McCorquodale, which has since been referred to the Monopolies Commission.

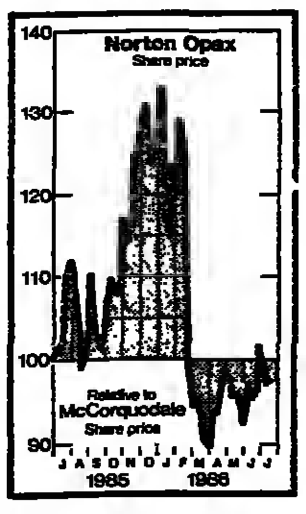
Turnover and trading in the first quarter of 1986-87 were considerably ahead of the corresponding level last year and the directors said the future was bright.

The year had seen substantial progress on all fronts, with the increased profits deriving from businesses acquired in the previous year and from substantial growth in the existing activities.

In September, Norton purchased the "Life" series of regional magazines from International Thomson Publishing and the directors said the relaunch of these titles was proceeding well.

Early this year, the three retail companies acquired as part of Sir Joseph Causton in 1985 were sold to William Collins, resulting in an extraordinary profit of £3.08m.

As forecast, dividend for the year is to be raised from an adjusted 2.883p to 3.5p net, with a final of 2.5p. Stated earnings per 10p share climbed from 8.07p to 10.01p.



Gross profits rose sharply from £13.48m to £23.13m, before charging distribution costs of £6.66m (£2.86m) and administration expenses of £9.51m (£7.36m). Trading profits more than doubled from £3.26m to £6.96m. Other operating income this time added £217,000, but net interest took £2.01m (£1.06m).

Tax charge was £1.96m (£0.74m) and minorities accounted for £131,000 (£25,000).

● **comment**

Norton Opax has a gift for spotting opportunities even if the broad sweep of history, whether in the form of Robert Maxwell or the Monopolies Commission has a way of pushing them out of reach. Three years ago BPCC shoved Norton aside in a bid battle for John Waddington; now a Commission reference is giving McCorquodale time to ready itself for a possible round two in the late autumn. Even if McCorquodale passes out of reach in price terms, however, it is important that the Commission ruling does not limit Norton's growth in the cheque book printing market. For it is here, and from publishing and advertising, that 1986-87's additional profits are expected to come. The brokers have set a £5.8m target after allowing for the loss of some £600,000 in trading profit contribution from the shops recently sold off to Collins. The shares, unchanged at 185p, have had some of the price loss that followed April's surprise referral restored. The prospective p/e of just over 11 seems rather niggardly if the market is such a firm believer in Norton's acquisition-based growth strategy.

Thomas Jourdan jumps 50%

ALTHOUGH ROYALTY income was virtually static, improved results from its trading subsidiaries enabled Thomas Jourdan to raise pre-tax profits by 50 per cent from £412,000 to £618,000 for the half year to June 28, 1986.

Turnover increased 38 per cent to £6.35m (£4.59m). The group makes trouser presses, nursery products, fireplace surrounds, and brushes and holds Mary Quant royalty contracts.

Mr Archie McNair, the chairman, said the group's trading subsidiaries had continued to expand, despite the disruption of Corby's operation due to the move to larger and more suitable premises at Andover.

Trading profits climbed from £340,000 to £530,000, but the royalties contribution was only £5,000 higher at £135,000. Share of related company profits added £47,000 (£19,000), although interest took £94,000 (£77,000).

After tax of £224,000 (£170,000), earnings per 10p share advanced from 2.44p to 3.23p. The net interim dividend is increased by 19 per cent from an adjusted 1.05p to 1.25p—last year's total payment was equivalent to 3.675p after adjusting for the one-for-one scrip issue. Pre-tax profits totalled £1.35m (£837,000).

Mr McNair said that currently the group's order position was well ahead of its level at the same time last year and thus provided a good base for the second half. The directors looked forward with confidence to continued progress in this period.

He reported that at Lion Brush Works, the board's short term objective of strengthening the management team was nearing completion and it was encouraged by this company's progress to date and its current prospects.

Suncrest and Squires achieved excellent results, said the chairman. Considerable progress had been made at Rochingham and its recently acquired subsidiary, Blower Brothers, was trading profitably.

Mr McNair pointed out that apart from expansion of currently owned operations, there was much activity and planning by the executive directors aimed at increasing size and profitability.

Webber Electro

Webber Electro Components blamed overstocking and other short-term problems among major customers for a decline in profit to £222,000 (£270,000) in the six months to March 31, 1986.

Turnover declined to £862,000 (£1.08m), but the company said margins had been little affected. The interim dividend was held at 1.15p.

The company said the third quarter had seen activity back almost to last year's level, but warned about continuing "unevenness of offtake."

Lee Intl. expands

In pursuance of its expansion into Europe, Lee International has acquired Kobold Licht Fritz Consten, from Herr Consten, in consideration of the issue of 349,681 ordinary shares and DM 341,421 (£107,450) cash. At the same time the company's indebtedness to the vendor of DM 1.98m (£621,946) will be repaid.

BET launches scathing attack on HAT record

BET, the diversified industrial services group which is making a £96m hostile bid for HAT, the paint and scaffolding business, yesterday launched a scathing attack on its target's past performance.

In its formal offer document to shareholders, BET said HAT's strategy had failed. It had recently announced a fall in pre-tax profits for 1985-86 and £12m had had to be written off over the past two years because of poor investment decisions.

BET argued that while HAT's core painting business had a good reputation and a strong market share, its operating margins had seriously declined in recent years, mainly as a result of a failure to integrate acquisitions successfully.

HAT had also "failed in its efforts at diversification, particularly its investment in property. The write-offs from the latter have left the balance sheet seriously weakened and it is questionable whether HAT now has the financial strength to recover even if it had developed a successful strategy for doing so."

BET argued that its financial resources would give HAT an important boost, while the bid had a "compelling commercial logic," with HAT's core businesses fitting perfectly with BET's industrial services and construction operations.

Mr David Telling, chairman of HAT, said last night that it was easy to criticise with the benefit of hindsight and the BET bid totally undervalued the company.

BET shares closed at 412p, up 4p, giving its offer of shares a value of 121p for each HAT share. HAT closed unchanged at 127p.

DIVIDENDS ANNOUNCED

	Current Payment	Date of payment	Corresponding div.	Total for year	Total last year
Fitzwilton ....int.	1¶	—	1	—	2
Hillards	2.3	Oct 3	2.05*	3.3	2.9*
Thomas Jourdan ...int.	1.25	Oct 1	1.05*	—	3.68*
Marling Inds.	1.05	Oct 1	0.9	1.75	1.5
Merrydown Wine	5‡	Oct 20	4.45*	6	5.33*
Murray Smaller	1.9	Sept 25	1.8	2.7	2.5
Norton Opax	2.5	—	2	3.5	2.83*
Parkfield	2.4‡	Oct 10	1.6	3.6	2.4
Reuters ....int.	1.75	—	1.25	—	3.25
F. H. Tomkins	1.8†	Oct 1	1.48	2.8†	2.25
TR Trustees	2.4	Sept 19	2.6	4.2	3.8
Webber Electro ...int.	1.15‡	—	1.15	—	2.3

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Irish pence throughout.

Fitzwilton dives into red

Dublin-based Fitzwilton incurred a pre-tax loss of I£732,000 (£681,000) in the half year to December 31, 1985, against a I£54,000 profit last time, but the company said it expected to show a profit at the year end.

The company's financial position had been greatly strengthened by several recent disposals.

They said they had decided it was in shareholders' best interests for Fitzwilton to remain a trading company.

Urgent action was being taken to implement this strategy. A priority would be investment in the UK where the company was actively seeking attractive acquisition opportunities.

Turnover for the half year was £8.25m (£3.81m). Attributable losses came to £1.67m (£173,000) and stated deficit per 25p share was 3.87p (0.78p). The interim dividend is unchanged at 1p—last year's final was also 1p.

US team to take control of Mnemos

By Martin Dickson

A group of US investors, led by Alan Patricof Associates, the venture capital company, is set to acquire control of Mnemos, the loss-making, USM quoted manufacturer of information storage equipment, under a financial reconstruction plan.

Bermuda-based Mnemos is at present a 54 per cent owned subsidiary of Combined Technologies Corporation. Both companies are headed by Mr James Longcroft, chairman of Tricentrol, the oil company from which Cometech was originally spun off.

Mnemos, which is devoted to the production and marketing of System 6000, an advanced information storage system, gained a $5m injection of equity funds last year from Sperry, the US computer group, but said last December that it was seeking additional working capital from other US investors.

Under yesterday's deal the new Patricof group will subscribe about $8.5m for non-cumulative convertible preference stock representing about 64 per cent of a new US company. Substantially all Mnemos's assets and liabilities will be transferred to the new company, which will issue shares of common stock, representing about 36 per cent of its issued share capital to Mnemos.

Directors of Mnemos will seek shareholders' approval to the voluntary winding up of the company, with the shares in the new company being distributed to Mnemos shareholders. The new company will apply for permission to deal in its stock on the USM. Special arrangements will apply to US shareholders.

Mnemos shares were suspended ahead of yesterday's announcement at a price of 17p, giving the company a market capitalisation of about £8.5m.

Mnemos yesterday announced pre-tax losses for the year to March 31 of $5.28m ($9.6m) on turnover of $262,000 ($246,000).

Mr Longcroft said the promise of last year and the underlying strength of Mnemos's advantage had not yet flowed into positive results but the way ahead had been made possible by a fierce trimming of costs.

Brierley raises stakes in OTT and Ultramar

By Terry Povey

WITHIN days of returning to the UK, Mr Ron Brierley has announced yet more buying by his IEP Securities of shares in Ultramar and Ocean Transport and Trading.

In addition to reviewing his investment portfolio, Mr Brierley is making preparations for the development of his UK operations. Mr Chris Corrigan has been poached from Bankers Trust to head the London team and Mr Ross Martin has been brought from New Zealand to represent IEP on various company boards.

IEP now holds a 11.4 per cent stake or 31.2m shares in Ultramar, the independent oil company, bought for some £53m. This is IEP's most expensive UK investment. Although the majority stake in Tozer Kemsley & Millbourn is worth about £200m, Mr Brierley acquired this for some £41m.

At Ultramar yesterday Mr David Elton, group executive director, denied any nervousness over Mr Brierley's growing stake and reiterated that the company was a sound counter-cyclical investment.

The IEP stake in OTT, the shipping company, is now 8.25m shares or 7.32 per cent, following the acquisition of a further 1.12m shares. Mr Brierley has spent some £16½m building up the holding.

Advertising costs hit Merrydown profit

Merrydown Wine felt the effect of its first major advertising investment in its Vintage Cider brands. In the year ended March 31 1986 its pre-tax fall by 19 per cent, from £1.26m to £1.03m, and that cost of advertising was the main cause.

But against the background of a fall in the total cider market, the directors said they regarded the result as satisfactory, and viewed the future with confidence.

It was not until after the year-end that cider sales forged ahead again. Scottish sales were recovering well, they said, and UK sales were indicating the benefits of both 1985 and 1986 investments in advertising.

The absence of a further duty increase in this year's Budget should assist the company's sales and help the cider market, the directors stated.

Turnover in 1985-86 was maintained at £8.8m. Encouraging growth in cider sales and market share in England and Wales was offset by lower sales in two export markets and of cider in Scotland, where there was reorganisation of sole agents.

Capital expenditure was some £750,000 and geared principally to increasing cider fermentation and bottling line capacity by 50 per cent.

After tax £415,000 (£559,000) earnings are stated at 15.6p (21.44p). The final dividend is 5p to bring the total up to 6p (5.33p scrip adjusted), and there is to be a further one-for-eight scrip.

● **comment**

Yet again Merrydown has emerged unscathed from a lack lustre year in the cider market. Cider sales fell by 3 per cent during the 1985-86 financial year yet Merrydown held its volume despite distribution problems in Scotland. Margins were affected by the advertising expenditure incurred by the Vintage brand, however. Given that the market leader, HP Bulmer, plans to reduce its investment in advertising, smaller producers like Merrydown will be forced to invest in campaigns of their own. Judging by the increase in sales of Vintage, thus far Merrydown's investment seems to have paid off. The apple crop should be healthy this year and farmers are likely to restrict price increases to around 5 per cent, so costs should be relatively easy to control. Merrydown is now augmenting its non-cider activities by relaunching the health food range and extending distribution from the specialist shops to the grocery multiples. Although the benefits of this are unlikely to filter through until 1987-88, the City expects profits of £1.35m for 1986-87, producing a prospective p/e of 15 on the shares at 355p. This seems appropriate for the short term.

TR Trustees ahead

TR Trustees Corporation raised net asset value per 25p share, to 230.6p at the end of May, 1986, compared with 185.5p a year earlier.

Total income in the period increased to £8.39m (£7.64m). After tax of £1.92m (£2.05m) earnings per share climbed from 4.29p to 4.56p. The final dividend is 2.4p for a net total of 4.2p (3.8p).

Debenture and loan interest payable was £1.72m (£1.2m) and administration expenses took £658,000 (£539,000).

COMPANY NEWS IN BRIEF

THE THROGMORTON USM Trust, which obtained a listing early this year, improved its net asset value from 94.5p, its value at inception after deduction of flotation expenses, to 107.6p at end-June 1986. Net revenue for the 21-week period since the company began trading on February 3, amounted to £372,000 after tax of £192,000.

LANCASHIRE & LONDON Investment Trust increased its net asset value per 25p share from 172.3p to 192.4p in the six months to June 30, 1986. The interim dividend is unchanged at 2p net, and stated earnings per share were higher at 3.81p (3.42p). Gross income was up from £255,361 to £263,055. Tax fell marginally from £78,535 to £77,279. The directors said the forecast for the year showed a similar result to that for the previous year.

GREEN PROPERTY Company, Dublin-based property investment and development concern, made pre-tax profits of I£617,000 (£575,000) in the first half of 1986, against I£935,000 for the whole of 1985. Net rents received were I£907,000 (I£1.77m for year). Earnings per share were 2.41p (4.83p) but are not strictly comparable due to the issue of new shares in June, 1985. The interim dividend is 1.1p.

GRAND CENTRAL Investment Holdings, the listed investment holding company and former Sri Lankan tea and rubber grower, has announced its second acquisition under its new management, with an agreed deal for Malaysia's second largest manufacturer of industrial cocoa products—Upali—for £525,000 payable in cash or shares.

RIVER PLATE & General Investment Trust had a net asset value of 327.9p at end-June 1986, compared with 254.8p a year earlier. Net revenue for the half year amounted to £688,934 (£537,405) after tax totalled £301,834 (£241,591). The interim dividend is lifted to 2.2p (2p), and directors expect the final to be at least equivalent to last year's 6.5p. Earnings per 25p deferred share improved to 4.36p (3.4p).

KONE (UK)'s bid for Biddle Holdings has been accepted by holders of 2.57m (64.2 per cent) of the ordinary shares and 28,100 (70.3 per cent) of the preference shares and the offer has been declared unconditional. Included in the ordinary acceptances are 1.27m shares which Hambros Bank acquired on behalf of Kone. The offers will remain open until further notice.

EDINBURGH AMERICAN Assets Trust reports a loss after tax of £58,000 (profit £622,000) for the first six months of 1986. Loss per share was 0.08p (earnings 0.72p). Net asset value per 25p share was 161.7p (135.2p) at the end of the period.

UPDOWN INVESTMENT Co had a net asset value of 316.5p at end-June 1986 compared with 243.1p a year earlier. Franked income for the six months period was £156,310 (£128,869) and unfranked £62,464 (£62,839). Expenses amounted to £18,847 (£16,296), and debenture stock interest was unchanged at £6,300. After tax of £59,626 (£55,362) earnings came out at 3.35p (2.84p).

BLACKWOOD HODGE Canada's wholly owned subsidiary, Blackwood Hodge Equipment has received C$1.25m (£0.6m) in full settlement of its claims against General Motors Corporation, arising out of disputes involving its dealer sales and service agreements with General Motors of Canada.

REA BROTHERS, the smallest of the UK's accepting houses, yesterday announced that holders of 94 per cent of its ordinary shares had accepted the one-for-one exchange offer from Rea Brothers Group, the new holding company set up as part of reorganisation of the bank's interests. Holders of 62.5 per cent of 4.2 per cent preference shares, and 53.3 per cent of 5.25 per cent preference shares, had also accepted the offer. All three offers have now been declared unconditional.

JOHN WILLIAMS of Cardiff, the alloy iron foundry operator, has agreed to pay the Welsh Development Agency £96,000 cash for the agency's outstanding 24.3 per cent stake in John Williams Foundries, the company's principal subsidiary.

John Williams consolidated net profit for the year to September 30 was £25,000, while JWF turned in a net profit of £40,000.

STOREHOUSE is making a recommended offer for the preference shares in British Home Stores on the basis of 108p cash plus accrued income. Additionally, shareholders will get the interim dividend for the six months to September 1986.

UK COMPANY NEWS

Walter Alexander lifted to £4.3m by coachbuilding side

A £1M turnround in the coachbuilding division helped the Walter Alexander group to a pre-tax profit increase of 29 per cent, from £3.37m to £4.33m, in the year ended March 31 1986.

The group, which is developing its corporate strategy ready for a full listing, has other interests in filtration, DIY and liquid fuel distribution, and its overall turnover moved ahead 30 per cent to £66.7m.

Mr Ronald Alexander, chairman, said the exceptional performance in coachbuilding turned a £241,000 loss into a £812,000 profit. Only 31 per cent of production at Falkirk was devoted to traditional stage-carriage bus bodies, the rest being double-deck kits for the Far East, minibuses for the UK and railbuses for British Rail.

In filtration, turnover rose by £1.5m to £9.5m, but profits were down slightly because of adverse currency movements; several new products were developed. DIY distribution lifted profit to £572,000 (£493,000), and it planned to expand its operational territories.

Despite falling fuel prices, liquid fuel distribution raised its turnover and maintained its profit, and forecast buoyant sales now that oil prices had become very competitive with natural gas.

After tax £1.44m (£880,000) and minorities £198,000 (£269,000), earnings per share came to 20.9p (17.7p) and the dividend is raised to 7p (6p) net. With a full listing in mind, the directors are making a 1-for-1 scrip issue.

Mr Alexander said the current year had started well and forecasts indicated a further increase in profits.

Marling Industries margins squeezed

While turnover at Marling Industries, maker of industrial textiles and safety products, rose by 33 per cent to £40.94m in the year ended March 31 1986, pre-tax profits were up by a modest 6 per cent at £2.12m, compared with £2m previously.

The directors explained that the difference was largely due to pressure on margins as well as an unsatisfactory performance by the French subsidiary. In the current year, sales have continued to rise.

Actual earnings per 10p share increased to 8.21p (7.36p) and fully diluted earnings rose to 7.63p (6.81p). The year's dividend is lifted 17 per cent from 1.5p to 1.75p net with a final of 1.05p (0.9p).

At the operating level, profits climbed from £2.5m to £3m, before higher interest charges of £1.04m (£684,000). Pre-acquisition losses of subsidiaries were £2,000 (£58,000), while share of associates' profits edded £151,000 (£125,000).

Tax took £867,000 (£878,000) and after minorities of £13,000 (same) and extraordinary debits of £212,000 (£91,000) attributable profits were little changed at £1.03m (£1.02m). Dividends absorb £264,000 (£226,00).

Sycamore falls back into the red for first half

Sycamore Holdings returned to losses in the first half of 1985-86, after reporting a profit for the second half of the previous year.

Turnover, partly reduced by the sales of the appliance and flatpack kitchen furniture business in February and April last year, fell to £2.41m (£7.37m). The loss before tax was £212,000, down from the comparable £896,00.

Again there is no interim dividend. The last payment was 0.1p in respect of the 1983-84 year.

The board said that good progress had been made following the sales last year. During the period borrowings of £1.22m were eliminated following a refund of pension fund surpluses of £1.76m. The balance was used to reduce trade creditors.

Trading losses were £166,000, compared with the previous £737,000, when there was also a share of associates profits of £48,000. The finance charge was down at £46,000 (£207,000).

There was also an extraordinary credit of £1.65m (£650,000 debit) which left earnings per share of 17.04p (18.28p losses). Before the extraordinary item, the loss per share was 2.51p (10.59p).

Of the present half year the directors say that the company is trading profitably.

Watsham's higher

A 41 per cent advance in turnover was achieved by Watsham's in the year ended March 31 1986, and the rate of profit growth almost kept pace.

This maker of products for the optical, electronic, instrumentation, and industrial safety industries lifted its turnover from £18.26m to £25.84m and its pre-tax profit from an adjusted £1.88m to £2.62m.

Adjustment reflected a change of policy in the treatment of development expenditure on certain major projects. Expenditure was now written off in the year it was incurred, while in prior years it was capitalised and amortised over a maximum of the first five years' sales.

As forecast in the mid-year statement, the final dividend is 2.4p on the higher capital to raise the total from 3p to 3.6p net.

Gross profit for the year came to £9.9m (£6.96m). Tax took £962,000 (£719,000) and left the net balance at £1.66m (£1.16m, or £1.37m on old expenditure policy). Earnings were 7.9p (6.4p) per share.

BOARD MEETINGS

TODAY

Interims: Burmatex, Child Health Research Investment Trust, Commercial Bank of Wales, O. J. Security Alarms, National Westminster Bank, Radius, Splash Products, Webber Electro Components.

Finals: Alva Investment Trust, Dee Corporation, Gold Greenlees Trott, Havelock Europa, Hidong Estate, Eliza Tinsley.

FUTURE DATES

Interims—	
Atlantic Computers	Aug 20
BSR International	Aug 25
British Alcan Aluminium	Aug 5
Jamesons Chocolates	Aug 11
Plastic Constructions	July 30
Prudential	Sept 10
STC	Aug 4
Finals—	
Acsis Jewellery	July 30
Aerospace Engineering	Aug 19
Electron House	Aug 20
Gibbon Lyons	July 30
Mainmet	Aug 1
Newmark (Louis)	Aug 14
Oceonics	Aug 6
Porter Chadburn	Aug 12
Transcontinental Services	July 30

APPOINTMENTS

Esso UK retail director

ESSO UK has promoted Mr David Ledlie to divisional director retail. He will be responsible for the network of Esso petrol outlets in the UK. He replaces Mr Nigel Groundwater, who has accepted the appointment as vice president, Esso Africa Inc. Mr Ledlie has held a number of managerial positions within Esso UK, including divisional director marketing operations, and in Esso Europe Inc, where he was commercial manager, supply in the petroleum products department, prior to this appointment.

★

With the reorganisation of PATERSON FOODS, Mr Ryder Forsyth has become commercial director. He joins from Beechams Bottlers where he was marketing director.

★

Mr David Dixon, recently appointed chief executive of IOM STEAM PACKET SEAWAYS, is to join the board. He replaces Mr Mike Stracey, who has resigned.

★

The Sun Life Group has made the following appointments to the board of SUN LIFE INVESTMENT MANAGEMENT SERVICES, the subsidiary company responsible for investment management of the group's life, pensions, unit-linked and unit trust funds: Mr Keith Baker, executive director (Japan), Mr Ian Buckley, executive director (UK equities) with special responsibility for segregated fund clients, and Mr Bill Richards, executive director (Europe).

★

Dr Sam Marshall has become managing director of HONEYWELL CONTROL SYSTEMS. Dr Marshall's appointment follows the death of previous managing director, Mr Leslie Forrester, earlier this year. Dr Marshall was appointed director and general manager, Scottish factories, in 1984. Mr Tom Frame, previously director manufacturing division at the Newhouse computer plant, becomes director and general manager Scottish operations, and Mr Brian England, formerly director, marketing, at Honeywell Information Systems, has been appointed director, marketing, Honeywell Ltd.

★

Mr Peter Lipman has been appointed managing director of KIRKLAND-WHITTAKER (CURRENCY DEPOSIT BROKERS) and Mr David Andrews has been appointed managing director of KIRKLAND - WHITTAKER (FOREIGN EXCHANGE BROKERS). Both companies are subsidiaries of Kirkland-Whittaker Group, the London-based money broker.

★

Mr R. M. Woodhouse has been appointed an additional deputy chairman of COURTAULDS from August 1. He is chairman of Courtaulds Fibres and of BCL.

★

KAPITI has appointed Mr Dick Willott as managing director. Mr Willott succeeds Mr John Kennedy, who founded Kapiti and is taking the position of non-executive chairman.

★

Mr John Peach has been elected president of THE ASSOCIATION OF ELECTRICAL MACHINERY TRADES for 1986-88 in succession to Mr R. A. Joseph.

★

Ms Kate Fraser and Mr Jerry Wood have been appointed directors of GOOD RELATIONS CITY.

★

Mr W. Scanlon is appointed a director and deputy managing director of ROYAL LIFE HOLDINGS LIMITED from August 1.

★

UNITED SCIENTIFIC HOLDINGS has appointed two non-executive directors to the board of its French affiliate, Sopelem: Mr Guy Brana, president of the Economic and International Commission of CNPF (the French CBI) and a director of Thomson Brandt and Thomson CSF, and Mr Henri Bernet, director of the Compagnie Financiere de Suez.

★

The new board of COMMONWEALTH DEVELOPMENT FINANCE COMPANY, following its acquisition by Ensign Trust, is Mr Geoffrey Musson, chairman; Mr Anthony Charlwood, managing director; Mr Charles Hobbs and Mr Michael Banks, deputy managing directors; Mr Jon Supran, treasurer, Mr Philip Henderson and Mr Robert Fawcett.

★

Mr Marc Cramsie from the corporate finance division, is joining the board of KLEINWORT BENSON.

★

The following have been appointed to the board of BUPA HOSPITALS Mr Eric Stevenson (development director), Mr Peter Reeves (commercial director), Dr Eric S. Blackadder and Mr Simon Cox.

★

THORN EMI has appointed Mr P. I. Hayman director, corporate projects. He will be involved in a wide range of corporate activities and developments, particularly acquisitions, disposals and new ventures. Appointed chairman of THORN EMI's Metal Industries Group in October 1983, Mr Hayman successfully implemented the planned divestment of these operations, a complex disposal programme which culminated with the sale of Metal Industries Ltd this month.

★

Mr G. R. D. Hews has stepped down as chairman of KENT MESSENGER but remains a director. He is succeeded by Mr Edwin Boorman. Mr P. H. Edgley and Mr W. J. Dorrell have been appointed joint managing directors. Mr Dorrell will be responsible for operations and Mr Edgley for all other management areas. Mr Edgley will also act as deputy chairman.

★

Mr Martyn Thomas has been appointed deputy managing director of the UK pump division of SULZER BROS. (UK). He succeeds Mr Bill Walton, joint managing director, who will become non-executive chairman of the UK pump division. Mr Thomas was formerly with Mather and Platt, where he was general manager, sales and marketing, of the rotating machinery division.

★

ALPHAMERIC has appointed four divisional directors. They are Mr John Barratt (systems director) and Mr Richard Oppe (commercial director)—both of Bishopsgate Terminals; Mr Ernie Harris who becomes divisional director responsible for manufacturing and Mr Alain Reynal, managing director of Alphameric in France.

★

Mr Allen Grant has been appointed works director of ARTHUR E. LUNT, a Metalrax Group company.

★

Mr Peter Green has been appointed deputy managing director of BINKS-BULLOWS.

★

Mr Geoffrey Bacon has been appointed director of the CANADA-UK CHAMBER OF COMMERCE.

FT LAW REPORTS

Homeland's standing in English courts

GUR CORPORATION v THE TRUST BANK OF AFRICA LTD AND ANOTHER
Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice Nourse and Lord Justice Glidewell): July 22 1986

THE REPUBLIC of Ciskei is a subordinate body of the South African state in that South Africa is entitled to exercise sovereign authority over the territory, though in fact it may not do so; and it therefore has status to participate in English proceedings, though unrecognised as a government by the UK.

The Court of Appeal so held when allowing an appeal by the defendant, the Trust Bank of Africa Ltd, from Mr Justice Steyn's decision that the Government of the Republic of Ciskei (second defendant and third party) had no *locus standi* to participate in proceedings arising out of a guarantee issued by the bank in favour of the Republic at the request of the plaintiff, GUR Corporation, a Panamanian company. The bank appealed with the support of the other two parties.

SIR JOHN DONALDSON said that GUR had contracted to build a hospital and two schools in Ciskei, Southern Africa. It asked the bank to issue a guarantee in favour of the building owner, the Department of Public Works of the Republic of Ciskei. The guarantee had an expiry date.

The London branch of the bank issued a guarantee but required GUR to give a counter guarantee and to deposit $300,000 as security.

In due course, the building owners demanded payment under the guarantee. The bank declined to pay on the ground that no valid demand had been made before expiry of the guarantee.

Litigation ensued in which all three parties were before the court. The matter came before Mr Justice Steyn. As a preliminary point he tried the issue of whether the building owner, which called itself the Government of the Republic of Ciskei, had any *locus standi* in English courts. He decided it had none.

In 1961 South Africa became an independent republic outside the Commonwealth. Its territory included the territory of the Ciskei. In 1981 the South African Government passed the Status of Ciskei Act, which purported to declare that the territory of the Ciskei constituted a sovereign and independent state.

The Act also purported to empower the legislative Assembly of Ciskei to legislate for Ciskei. In reliance on that power the Assembly passed the Republic of Ciskei Constitution Act 1981, which by section 34(1) authorised the President of Ciskei to establish departments of state. The Department of Works, which was the beneficiary named in the bank's guarantee, owed its existence to that provision.

The Republic of Ciskei was recognised by South Africa. The UK however, had issued a statement in Parliament in April 1980 that it would no longer accord recognition to governments.

In letters of May 1 and May 9, 1986 addressed to the bank's solicitors, the Foreign and Commonwealth Office said that the British Government recognised states but so far as governments were concerned its attitude was to be inferred from the nature of its dealing with the regime concerned.

It said the British Government "has not recognised as independent sovereign states Ciskei or any of the other Homelands established in South Africa . . . and does not have a formal position as regards the exercise of governing authority over the territory of Ciskei." It said the Government had made representations to the South African Government in relation to certain matters occurring in Ciskei, but had not in general received any positive response.

In *Carl Zeiss Stiftung v Rayner and Keeler (No 2) [1967]* AC 853 the House of Lords held that the English courts could take cognisance of the legislative authority of the German Democratic Republic (GDR) because, while they could not treat it as a sovereign state, they could and should treat it as having effective legislative powers as a subordinate body which the USSR had set up to act on its behalf.

Lord Reid said "The GDR was set up by the USSR and it derived its authority and status from the Government of the USSR. . . . But the certificate of our government requires us to hold that it was not set up as a sovereign state because it requires us to hold that the USSR remained *de jure* sovereign. . . . The courts of this country must disregard any declarations of the Government of the USSR in so far as they conflict with the certificate . . . and we must therefore hold that the USSR set up the GDR, not as a sovereign state, but as an organisation subordinate to the USSR . . . and we must regard the acts of the GDR . . . as the acts done with the consent of the Government of the USSR . . . So . . . the courts of this country cannot treat as nullities acts done by or on behalf of the GDR."

Mr Justice Steyn said there was an essential difference between *Carl Zeiss* and the present case. He said that in *Carl Zeiss* there was a conclusive certificate that the USSR still exercised governing authority in the GDR, whereas in the present case there was no certification to the effect that South Africa was still the governing authority in the Ciskei. Nor was there any material before the court from which the inference could be drawn that South Africa was still the governing body of the Ciskei.

He said it followed that the line of reasoning which prevailed in *Carl Zeiss* was not apposite in the present case.

In fact what was certified in *Carl Zeiss* was that the USSR was *de jure entitled* to exercise governing authority in the Eastern zone, not that it did so. In the case of the Ciskei territory similarly there was no certificate that South Africa in fact exercised governing authority. What was left to be inferred from the Eastern zone certificate was expressed in the Ciskei certificate—"does not have a formal position as regards *the exercise* of governing authority."

In each case the certificates were conclusive that the GDR or the Ciskei were not recognised as independent sovereign states. It followed that the courts must hold that neither the GDR or its government, nor the Republic of Ciskei or its government, was in law capable of an executive, administrative or legislative act at the relevant times, unless enabled by some superior authority.

In the case of the GDR, the certificate pointed expressly to where that superior authority was to be found, namely the USSR. The question was whether the Ciskei certificates pointed to any superior authority of which the courts could take cognisance as supplying authority to enable the Ciskei to undertake executive, administrative or legislative acts.

The court must disregard any declarations or acts of South Africa or of Ciskei which conflicted with the certificates of the Secretary of State, just as the House of Lords disregarded any such declarations by the USSR government.

Section 3(1) of the Status of Ciskei Act 1981 provided that "The legislative Assembly of Ciskei . . . may . . . make laws . . . for the Ciskei . . ." That became a straightforward delegation of legislative power which could be revoked in the same way as it had been conferred, namely by a subsequent legislative Act of the Republic of South Africa.

The certified fact that the British Government had made representations to the South African Government in relation to certain matters occurring in Ciskei gave rise to a clear inference that the government regarded South Africa as continuing to be entitled to exercise sovereign authority over the territory.

The further certified fact that the South African Government had not in general made any positive response gave rise only to an inference that it was not in general willing to exercise the authority which it had *de jure*, preferring to leave that to the government of Ciskei. That was immaterial for no *de jure* governing authority could disclaim responsibility for acts done by subordinate bodies which it had set up and which had not attempted to usurp its authority. There was no evidence that Ciskei had attempted to do that.

It followed that the legal status of the Republic of Ciskei and its government was indistinguishable from that of the German Democratic Republic in *Carl Zeiss*.

The appeal should therefore be allowed. The government of Ciskei had *locus standi* in the English courts as a subordinate body set up by the Republic of South Africa to act on its behalf.

LORD JUSTICE NOURSE agreeing said that it was essential to bear in mind that the question posed distinguished between entitlement to exercise and actual exercise of governing authority.

LORD JUSTICE GLIDEWELL also agreed.

For the bank: Peter Cresswell QC, Elihu Lauterpacht QC and John Jarvis (Durrant Piesse)

For Ciskei: Simon Tuckey QC and Anthony Temple QC (Barlow Lyde & Gilbert)

For GUR: Antonio Bueno (Victor Mishcon & Co); Amicus Curiae: John Laws (Treasury Solicitor).

By Rachel Davies
Barrister

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or –	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§125	F.P.	24/7	168	136	✣Accord Publications 5p	168	+2	Rd3.1	2.6	2.6	21.2
‖	F.P.	15/8	127	100	✣Airsprung Group 10p	112	......	5.4	2.8	6.8	1.4
§115	F.P.	22/8	141	128	✣Anglia Sec Homes 10p	134	+4	R1.63	5.0	1.7	16.5
115	F.P.	11/7	190	155	Arlington Sec. 10p	173	......	b1.7	4.3	1.4	23.7
§115	F.P.	—	125	120	✣Atlas Conv'ting Eqp 5p	125	......	R4.9	2.3	5.5	11.3
§67	F.P	8/8	71	68	✣BBB Design Grp 5p	70	......	L1.0	4.2	2.0	16.8
¶¶	F.P.	—	280	280	BTR Nylex A$0.50	280	......	Q15c	2.7	2.2	16.5
§145	F.P.	15/8	158	145	✣Beavarco 5p	150	+3	u5.0	2.4	4.7	11.9
‖	F.P.	—	53	41	Bertrams Inv. Tst	43	–1	—	—	—	—
§37½	F.P.	25/7	43½	38	✣Bipel 5p	42	......	R1.225	3.1	4.1	10.5
125	F.P.	8/8	147	128	✣Borland Intl. Inc	143	+1	u02c	1.4	1.0	20.0
§63	F.P.	6/8	69	61½	✣Camotech 10p	66	......	R2.0	2.4	4.3	13.5
§110	F.P.	18/7	113	85	✣C'bell & Armstrong 5p	98	+3	u3.91	1.9	5.6	12.5
§125	F.P.	7/8	135	129	✣Chelsea Man 5p	129	......	L2.2	2.8	2.4	21.2
‖	F.P.	18/7	110	85	Clarkson (Horace)	98	–2	L4.75	1.5	6.8	13.4
¶¶	F.P.	—	100	58	Clayform Warrants	60	+2	—	—	—	—
§84	F.P.	1/8	91	84	✣Coated Electrodes 5p	90	+2	u3.9	1.6	6.1	14.0
237	100	—	110	90	Dee Corp.	95	+3	5.8	1.9	3.6	18.0
§70	F.P.	22/8	74	71	✣Fletcher Dev'ys S. 5p	73	......	L2.5	1.9	4.8	15.5
210	F.P.	—	200	191	G. T. Management 1p	200	+5	R3.0	3.4	2.1	16.8
150	F.P.	25/7	156	150	Guthrie Corp	154	–2	u5.3	2.2	4.0	9.9
150	F.P.	—	161	156	Harrison Inds. 10p	156	–1	Sg5.0	2.1	4.5	11.1
§92	F.P.	28/8	95	87	✣Hille Ergonom 10p	95	......	L2.0	3.1	5.0	13.1
§85	F.P.	24/7	117	90	✣Hodgson Hldgs 5p	110	–2	R2.13	2.3	2.7	20.0
§20	F.P.	—	25	21½	✣Hughes Food 5p	24	+1	Ro.5	2.8	2.9	17.3
—	F.P.	—	£37	£36	JF Pacific Warrant S.A.	£37	+1	—	—	—	—
R30	Nil	—	325	180	Joel (H.J.) Ltd Units	180	......	—	—	—	—
§154	F.P.	13/8	159	158	Kleinwort Dev. Fnd	158	......	—	—	—	—
100	F.P.	15/8	90	85	✣M6 Cash & Carry	88	......	u3.55	2.3	5.7	9.8
§500	F.P.	29/8	516	435	Morgan Grenfell £1	438	–5	L8.5	—	2.8	—
§120	F.P.	—	120	112	✣Per. Computers 5p	112	......	R3.0	3.3	3.8	11.4
§113	F.P.	29/8	114	112	St. David's Inv. Tst. Inc.	112	–1	H68	—	8.6	—
§75	F.P.	29/8	77	75	Do Cap.	75	–½	—	—	—	—
§72	F.P.	15/8	160	99	✣Shield Group 5p	125	–5	L2.0	3.1	2.3	18.2
§165	F.P.	1/8	184	160	✣Smallbone 10p	160	–2	u5.0	2.1	4.4	14.9
—	F.P.	—	55	43	Smith Newcourt War'ts	50	......	—	—	—	—
§40	F.P.	31/7	42	35	✣Soundtracs 5p	38	–2	61.2	2.8	4.4	11.3
§98	F.P.	6/8	106	98	✣Space Planning 10p	100	......	R1.8	3.4	2.5	16.3
§110	F.P.	28/8	125	119	Stanley Leisure	124	......	u3.25	2.8	3.7	13.1
130	F.P.	—	143	135	✣TV-am 10p	144½	+4½	R5.75	2.6	3.6	9.7
§95	F.P.	25/7	114	104	✣Task Force 5p	110	......	R1.78	3.8	2.3	16.5
112	F.P.	8/8	130	116	Tenby 50p	129	+1	u4.0	2.6	4.4	10.0
190	F.P.	1/8	242	219	Thames TV	222	–2	49.5	1.9	6.0	12.5
120	F.P.	6/8	130	100	Tibbet & Britten 5p	125	......	R3.5	2.6	5.9	14.0
§63	F.P.	22/8	68	66	Unilock 20p	67	+1	1.98	2.1	4.2	12.7
¶¶	F.P.	—	100	95	Welsh Ind. Inv. Tst. 5p	100	......	—	—	—	—
106	F.P.	22/8	112	110	Windsmoor 5p	112	+2	u3.25	2.3	4.1	15.1

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1986 High	1986 Low	Stock	Closing Price £	+ or –
§97.947	£25	17/9	27¼	25½	Bankers Inv. Tst. 10½% Deb. 2016	25½	+¼
§99.256	£30	29/8	30¼	26¼	Brit. Alcan Aluminium 10¼% Deb. 2011	26¼	–¼
§94.203	£25	31/10	25¼	22¼	Brixton Est. 9.5% 1st Mort Deb 2026	22¼	–½
§100p	F.P.	15/8	107p	105p	Business Mortages Tst. 8.6%Cum Prf.	106p	–1
109.89	£40	29/8	40	36½	Estates & Gen. 11¼% 1st Deb. 2018	36½	–¼
§94.45	£30	31/10	32¼	28	European Inv. Bank 9%Ln 2001	28	–1
‖	F.P.	29/8	115p	102p	✣Fergebrook 12% Cnv Uns Ln 1992-97	115p	......
96.114	£25	24/10	27¼	24¼	Globe Inv. 10% Deb. 2016	24¼	–¼
§99.054	£40	12/9	41¼	39¼	Govett Strat.Inv.Tst.10¼% Deb. 2016	39¼	–¼
97.963	£25	24/10	25½	19	Gt. Portland 9½% 1st. Mort. Deb. 2016	19	–¼
—	—	—	29	28¼	JF Pacific Warrant S. A. Pref.	29	......
105.523	£25	21/8	26	18	Land Securities 10% 1st. Mort. Deb.25	18	–¼
‖	F.P.	14/8	101½p	97p	Leigh Int. 6% Cnv. Cum. Red. Prf.	97p	–½
§99.793	£25	24/9	24¼	20¼	Lon. Shop Prop. 10% 1st. Mort. Deb. 2026	20¼	–½
¶¶	F.P.	—	101	95	Mercury Intl. 7¾% Cum Pref.	95	–2
‖	F.P.	—	136p	136p	Morgan Grenfell 11¼% Cum Prf.	136p	......
—	F.P.	—	100	99	Nationwide 9 1/2% 6/7/87	99¾	......
—	F.P.	—	100¼	99¾	Do. 10¼% 27/7/87	99U	......
§99.937	£25	24/10	25¼	23¾	Do 3¾% IL Ln. 2021	23¾	–¼
¶100	£10	2/9	9	8	Newcastle & Gate. Wtr. 7% Red. Prf. 94%	8	......
¶¶	F.P.	—	104	104	Rea Bros. 8.6% Cnv Prf	104	......
95.512	F.P.	8/8	98½	94¼	Scot.Mort.6%—12%Ste'ding.Deb.2026	95½	–1
§105	£50	10/10	46	43	Smith New Court 12pc Uns. Ln. 2001‡‡	43	–1
§99.073	F.P.	8/8	97¾	94¼	Ieps Est. 10¼% 1st. Mort. Deb. 2011/16	96½	......
—	F.P.	—	110	107	Wight C'ns Cr. Cm. Rd. Prf. 1999 10p	108	–2
100	£50	12/9	50¼	46	Witan Inv. 8½% Deb 2016	46	–¾

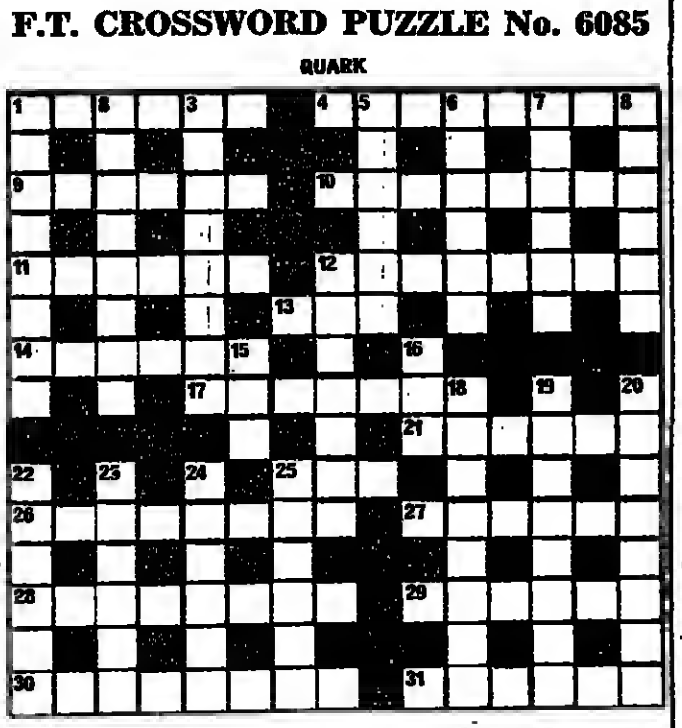
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc Date	1986 High	1986 Low	Stock	Closing Price p	+ or –
49	Nil	29/8	36pm	17pm	Abaco Invs. 5p	17pm	......
40	F.P.	4/8	51	42	Anglo African Fin. 7½p	42	......
470	F.P.	4/8	670	570	Antofagasta Hldgs. £1	625	......
55	F.P.	—	55½	45	Bertrams Inv. Tst.	45	......
250	F.P.	12/9	280	243	Boase Massimi Pollitt 12½p	243	–2
170	Nil	2/9	23pm	16pm	Coloroll 10p.	21pm	+1
465	F.P.	29/8	565	518	Costain Group	518	–2
145	Nil	20/8	40pm	30pm	Dataserv. Inc. 5c.	30pm	......
130	F.P.	14/8	146	132	Erskine House	132	......
165	Nil	28/8	20pm	5pm	Expamet Intl.	5pm	......
148	F.P.	20/8	182	168	Ibstock Johnsen	168	......
215	F.P.	15/8	278	227	Intl. Signal & Control 10c	227	–3
330	Nil	—	77pm	77pm	London United 20p.	77pm	......
200	Nil	29/8	20pm	10pm	✣Meadow Farm Prod. 10p	20pm	......
220	Nil	—	23pm	17pm	Medminster 10p	23pm	......
£34	Nil	12/9	240pm	220pm	Priest Marians £1	240pm	+10
44	F.P.	28/8	6pm	2½pm	✣Sheraton Secs. 10p	2½pm	......
25	F.P.	11/8	29	22	Sovereign Oil & Gas	22	–2
125	Nil	—	11pm	11pm	✣Tod 5p	11pm	......
90	Nil	17/9	2½pm	1pm	Top Value Inds. 10p	2pm	......
38	Nil	28/8	2½pm	¾pm	✣Yelverton Invs. 5p	¾pm	......
41	Nil	29/8	35pm	22pm	✣York Mount	22pm	–3

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. o Assumed dividend and yield after scrip issue. P Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. 1 Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." §§ Introduction. "" Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ✣ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

F.T. CROSSWORD PUZZLE No. 6085

QUARK



ACROSS

1 I'm recalled in religious sermon, and ... (6)
4 ... I conld have delivered it (6)
9 Trout being initially differeot fish? (6)
10 City district uomoved, yet could be repturous (8)
11 Hat for character (6)
12 Spots lnsing second. Another secnnd? Feeble (8)
13 Plot course for a teacher (3)
14 RN face upset in certain cnuntry (6)
17 Government citadel (7)
21 Fruit sponge from Batn? (6)
25 The aim in spending? (3)
26 Reformer and child painter (8)
27 Tail of cat by a slipper? Could be lucky (6)
28 Free admission for draughts? (4, 4)
29 Bernard's back with hypocritical sniff (6)
30 25 dnwn warship (8)
31 Animal's expressinn of agreement at sea (3-3)

DOWN

1 Curry is attractive (3, 5)
2 Oo edge—applied to seat? (8)
3 Review History? Lack book (suitable edition) (4, 4)
5 Stnle, not soft, shnwed small signs nf getting closer (8)
6 A number admitted bashing tin, follnwed by pain, we hear (6)
7 Sir is guided by bird (6)
8 Tyres can be in car set, perhaps (6)
12 Meo fret abont work (7)
15 Little bit of work contributing to eoergy (3)
16 O for a score! (3)
18 Man stands up for lady famous in the forties (8)
19 Those given out are nnt to be sniffed at! (8)
20 Toid to be tactful? That can't be true (5, 3)
22 Imitative from choice, maybe (6)
23 Rush into a job? (6)
24 Spotted dick for example with spots coming up (6)
25 Car attendant (6)

SOLUTION TO PUZZLE No. 6,084

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Wardley Unit Trust Managers Ltd (a)
Wardley House, 7 Devonshire Sq, EC2 01-929 1532

American Tst.	64.5	69.4	+1.5	1.7
Far East & Gen. Tst.	104.0	112.8	+2.0	0.8
Intl. Growth Tst.	69.1	73.6	+1.1	0.7
Income Tst.	82.8	89.1	—	5.6
Japan Growth Tst.	128.5	138.2	+2.7	0.2
Small Cos. Tst.	109.5	117.8	-0.4	2.0
Technology Tst.	33.5	36.0	+0.6	0.2
Australian Trust	35.1	37.7	+0.2	2.1
UK Trust	126.7	134.8	—	2.7
European Growth Tst.	51.1	54.4	+1.0	1.1
Hong Kong Tst.	23.0	24.5	+0.3	1.5

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	15.7	16.7	+0.7	0.15
Pacific Basin	13.1	14.0	+0.2	0.2
Canadian Balanced Grwth.	57.2	61.2	+0.9	0.98
Cheque Plus	101.0	105.2	—	7.3

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's (z)	55.8	57.4	-0.3	1.80
British Growth (z)	65.7	67.6	-0.4	2.00
British Income (z)	64.2	66.8	-0.1	5.00
British Extra Yield(z)	50.8	52.2	+0.7	7.00

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd.	67.5	68.6	—	0.00
U S. Govmnt Bond F.	0.505	0.508	—	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Capital & Equity Tst.	47.5	50.6	-0.1	7.84
Growth Trust	50.0	53.2	-0.3	2.30
Income Trust	52.3	55.7	-0.2	5.26

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0992

Growth Fund	67.6	71.1xd	—	2.95

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	122.0	128.0xd	+1.4	3.50

INSURANCES

Cannon Assurance Ltd—Continued

Index	110.7	117.1	—	—
Far East	179.9	190.4	+1.3	—
Global	95.5	100.8	—	—
European	97.6	103.3	—	—
Japan	110.8	117.2	+0.3	—
2nd Series Pension Accumulation				
Equity	474.2	501.8	-3.5	—
High Income	313.1	331.3	-2.4	—
Property	262.1	277.5	—	—
Managed	335.8	355.0	+0.2	—
Deposit	251.7	265.3	—	—
Gilt	233.9	246.7	+0.4	—
American	387.7	410.3	+5.3	—
International Money	271.4	287.2	+0.4	—
Index	121.0	128.0	—	—
Far East	195.6	207.4	+1.5	—
Global	95.5	101.1	—	—
European	98.4	104.1	—	—
Japan	115.0	121.7	+0.3	—
Other Funds				
Equity Units		64.48	-0.45	—
Property Units		21.95	—	—
Equity Bond/Exec.	40.34	42.49	-0.29	—
Property Bond/Exec.	28.77	30.44	—	—
Balanced Bond/Exec.	33.19	35.19	+0.09	—
L&E SIF 1	109.0	115.0	—	—
L&E SIF 2	71.0	75.5	—	—

City of Edinburgh Life Assurance
4b Charlotte Sq, Edinburgh EH2 4HQ 031-225 1665

Ivory & Sime Bond	100.0	106.0	—	—
Risk & Reward Bond	117.0	124.0	—	—
Murray Johnstone Fd	116.0	123.0	—	—
Money Market Fd	100.0	106.0	—	—
Ivory & Sime Pens Fd	96.0	102.0	-1.0	—
Risk & Reward Pens Fd	97.0	103.0	—	—
Murray J'stone Pens Fd	114.0	120.0	—	—
Money Market Pens Fd	100.0	106.0	—	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LA Tel: 0908 606101/660066

Current Series				
Property Fund	113.9	119.9	—	—
Money Fund	220.0	231.6	+0.3	—
Managed Fund	405.1	426.1	+0.2	—
Equity Fund	250.2	263.4	+0.1	—
Fixed Interest Fund	149.6	157.5	+0.6	—
Far East Fund	149.6	157.5	+0.6	—
North American Fund	183.1	192.8	+0.8	—
Natural Resources Fund	125.6	132.3	+0.4	—
S.U.N. Prop Fund	116.2	122.4	-0.8	—
Pension Managed Fund	376.1	395.9	+0.5	—
Pension Equity Fund	238.5	251.1	-0.2	—

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$18.10		−0.01	—

World Wide Growth Management◆
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$16.04			—

Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$18.64		−0.12	—
Dynamic Gwth Fd	$19.45		−0.09	—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$11.91	12.41		—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	9.40			3-Mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	9.59	7.13	10.39	Mth
7-day Fund	9.36	7.08	10.00	Mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fd	9.35	6.99	10.91	6-Mth
7-day Fund	9.59	7.17	10.28	6-Mth
Dollar	5.31	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv C&R	Int Cr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Chr Acc	9.25	6.80	9.82	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.25	6.91	9.99	Qtr
Mkt. Int. Chq.	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	10.125	7.57	11.04	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	9.45	7.04	10.28	Mth
Barclays Prime Account				

Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1A 7AE. 01-606 9485

High Int Cheque Acc	11.00	8.22		Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‖ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	30	NEI	11
Amstrad	23	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	18
BSR	11	Polly Peck	16
BTR	28	Racal Elect	16
Babcock	17	RHM	20
Barclays	45	Rank Org Ord	45
Beecham	40	Reed Intnl	75
Blue Circle	55	STC	16
Boots	22	Sears	12
Bowaters	38	TI	42
Brit Aerospace	45	Tesco	32
Brit. Telecom	17	Thorn EMI	40
Burton Ord	28	Trust Houses	15
Cadburys	17	Turner Newall	18
Charter Cons	22	Unilever	120
Comm Union	28	Vickers	40
Courtaulds	25	Wellcome	17
FNFC	37	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	55	MEPC	32
Grand Met.	34	Peachey	24
GUS 'A'	85	Samuel Props	25
Guardian	75	**Oils**	
GKN	32	Brmt. Oil & Min	2½
Hanson Tst.	14	Brit Petroleum	48
Hawker Sidd.	48	Burmah Oil	30
ICI	55	Charterhall	4
Jaguar	38	Premier	3½
Ladbroke	32	Shell	55
Legal & Gen	24	Tricentrol	11
Lex Service	28	Ultramar	18
Lloyds Bank	38	**Mines**	
Lucas Inds	52	Cons Gold	40
Marks & Spencer	18	Lonrho	24
Midland Bk	44	Rio T Zinc	50
Morgan Grenfell	30		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Sanctions threat halts Icelandic whaling

THE ICELANDIC Government has orderod its whaling fleet to suspend operations in responso to a US threat to impose a crippling boycott on its fish products, the country's main source of income, reports Renter from Reykjavik.

Mr Steingrimur Hermansson, the Prime Minister, said tho suspension had been ordered reluctantly under strong US pressure and accused the US Government of adopting high-handed methods sgainst a friend and s Nato ally.

Mr Halldor Asgrimsson, the Fisberies Minister, said Iceland would bave to reconsider its entire relationship with tho US.

Iceland had agreed in principal to go along with an International Whaling Commission (IWC) moratorium on whaling hut bad planned to allow the catching of 80 fin whales and 40 sei whales a year for "scientific purposes."

US officials said last week that no decision bad heen reached on wbether this "scientific" catch violated the IWC moratorium. hut Mr Hermansson said yesterday this was not true.

LONDON METAL EXCHANGE WAREHOUSE STOCKS

(Changes during week ending last Friday)

	(tonnes)
Aluminium	−1,100 to 034,250
Copper	−2,075 to 153,450
Lead	−200 to 39,975
Nickel	+846 to 5,520
Tin	−945 to 49,440
Zinc	−900 to 28,850
	(ounces)
Silver	−604,000 at 32,314,000

Australia to lobby US on grain subsidy plan

BY PATRICIA NEWBY IN MELBOURNE

AN AUSTRALIAN parliamentary dolegation leeves for Washington tomorrow to lobby the US Congresa against the proposed extension of US grain export subsidios to include tho Soviet Union and China.

The all-party delegation, headed by the Primary Industry Minister, Mr John Kerin, will seek to persuade "key congressmen" of the "devastating consequences" for Australia of an extension of the US export enhancement program (EEP) to include communist countries.

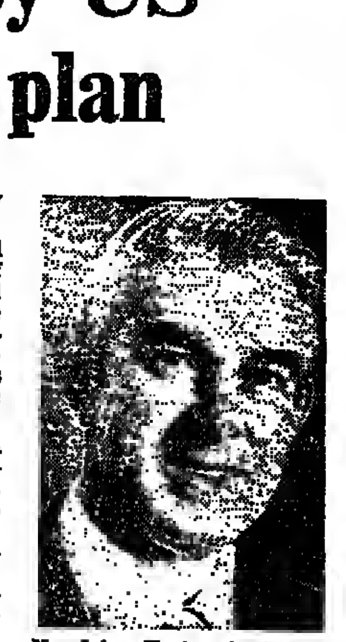
The Soviet Union and China are Australia's biggest wbeat markets, accounting for around 40 per cent of export sales worth morethan $1bn (£420m) a year.

Canada has also protested to the US and Mr Bob Hawke, ths Australian Prime Minister, has already been in touch with Argentina urging that country to protest vociferously too.

Mr Kerin's delegation will argue thot Australia is ono of the US's best defence allies and that subsidising food to the Soviet Union is not likely to impress newly-emerging non-aligned Pscific island states which have so far resisted the Soviet embraco.

Mr Kerin said Australia still saw the EEC as the chief architect of the chsoa in agricultural trade and will be urging the US to put continued pressure on the community to change its export subsidisation policies.

At the very least the delegation hopes the US might be persuaded to slow the rate at which subsidised stocks of all commodities come on to the oversupplied world market. Australian rice, cotton and barley are suffering along with wheat because of tho EEP.



Mr John Kerin, Australia's Primary Industry Minister

Third world food gap warning

BY RICHARD MOONEY

THE THIRD world's food supply gap is likely to be one third larger by the year 2000 than it was in 1980, according to a report* published by the International Food Policy Research Institute (IFPRI).

The report's author, Mr Leonardo A. Paulino, forecasts that production of staple foods in developing countries will rise to 1.47bn tonnes from 841.9m while a 17 per cent increase in per capita consumption will help to lift demand to 1.54bn tonnes from 893.7m.

Most of the projected deficit is attributed to the North Africa/Middle East region, where the shortfall is expected to grow from 18.9m tonnes to 64m by the year 2000. Mr Paulino predicts that Asia (including China) will have turned its 18.9m tonnes doficit into s 51m tonnes surplus, while sub-Saharan Africa's 5.9m tonnes deficit will have grown to 47m tonnes. For Latin America he sees a relatively modest 800,000 tonnes increase in its 1980 dsficit of 8.2m tonnes.

The overall figures disguise widely differing trends in per capita consumption, howover.

Mr Paulino expects the widening of the North Africa/Middle East food gap to be fuelled hy a 26 per cent rise in consumption per head. But he paints a less rosy picture for the hugry of sub-Saharan Africa, where population growth is expected to account for most of the increase in the supply/demand deficit and per capita consumption is seen rising by only a little more than 7 per cent.

The report says that sub-Saharan Africa will face ths most serious food problem unless its production trends improve or its population growth decreases. The region has not yet benefited from the "green revolution" of the 1960s and its environment, particularly in tha Sahel, may stand in the way of any substantial gains from this technology, Mr Paulino warns.

He also stresses the need for improvements in ths provision of food aid if future food needs sre to be met.

* *Food in the Third World: Past Trends ond Projections to 2000; IFPRI, 1776 Massachusetts Ave., N WWashington DC 20036.*

Feed trade feels victimised by grain tax

BY JOHN BUCKLEY

EUROPE'S multi-billion-dollar animal feed industry — already buffeted over the past two years by milk production quotas — believes it has emerged as the main victim of Enrope's latest measure aimed at controlling the grain surplus: the so-called co-responsibility levy.

The principle of ".CR," as the new tax on cereals production, which took effect on July 1, has become known in the trade, found few friends from ths outset — except among the politicians and officials who either want to sharpen cereals price restraint or generate extra cash to dispose of the surplus.

But it is the way in which the £3.37 per tonne tax is now heing interpreted thst has feed compounders increasingly np In arms. In the UK, where the feed industry stands to suffer more than most, one large compounder reckons that it will add shout £1 a tonne to the price of manufactured feed. That does not sound mocb in itself, but it certainly will not help in ths present atmosphere of fierce competition in the feed market.

And componnders fear that this year's levy may only be the beginoing; next year, with the apparatus for collecting it in place, swingeing increases could be in the pipeline.

What particularly irks the manufacturers ebout the levy is that it eppears to discriminate at their expense in fevour of farmers who mix their own animal feed. The latter have heen made exempt from the levy.

"The tax appears to bs slanted more and more towards helping, not just the farmer who produces cereals for use on farm, but any farmer who wants to acquire cereals and mix them to feed to livestock, cutting out the traditional manufscturer of animal feed," says Mr Brian Rutherford, president of the European Animal Feed Mannfacturers Association (Fefac). "But in addition, the small or family livestock producer who huys in feed and pays more for tha levied grain it contains is now at o clear disadvantage to the exempt home-farm mixer."

Perhaps the most contentious development now is the wide disparity in the way the regulation has heen interpreted in eacb Community member state. This, Fefac feels, will lead to still further cross-border and internal anomalies in the way in whicb both structured and ad hoc feed trade is conducted.

Firstly, there are the "small farmer" exemptions. In Spain, for example, to meet this definition a producer must own less than 100 hectares of which under 35 ha ia sown to cereals. That implies 90 per cent of Spanish cereal use will be exempt from the levy.

But in Italy, it has been decidod that instead of listing who is exempt (as the UK does) the first buyer pays the tax — which places it elmost solely on tho compounders. "Instead of a producers' tax it will become a processors' tax," Mr Rutherford says.

Meanwhile, in West Germany farmers are trying to avoid the tax by increasing their on-farm mixing. Already this has sparked a boom in leasing of equipment to farmers seeking exemption, again to the detriment of the compounding trade.

In Ireland supporting legislstion for co-responsibility has still to he drawn up hut it is expected that integrated producers — the large factory-like concerns which buy grain and compound on their own premises to feed to thoir own livestock — will be exempt (as appears to be the case in the UK). Again, the penalty falls on the compounder.

Only in Belgium, wbere secondary legislstion has also yet to be framed, are efforts apparently being made to spread the CR net ss wide as possihle to minimise unfairness.

Another interesting anomaly is that while some EEC countries will charge VAT on the gross price of the grain they use — i.e., the price of the grain plus the levy — others will deduct the CR levy and charge VAT on the net amount. "That adds up to e very large sum of money on tho amount of grain used in one country or another during the course of a season," says Mr Rutherford, who concludes, "It is clear that despite the fact we are all meant to be working along the same lines, the interpretation at national level has led to discrimination between the Community's member countries."

Fefac is hopeful that some of ths extreme discrimination can be changed even in the current crop year. The federation intends to submit a paper to the Commission, probably during October, illustrating the anomalies between states "in an sttempt to get some aspects rectified at once," says Mr Rutherford. "But we're not in a position to do thst until we've got all tho facts. Many countries for example, haven't got a statutory instrument as we have in the UK."

In the long term, Fefac intends to press its case in the European Court, claiming that the tax is discriminatory and thus contrary to the Tresty of Rome. At this stage the legal schedule is o problem which might mean an 18-month wait for the result. "But in the short term, while it doesn't want to work within CR, the feed industry has to look after its interests. We will do all we can to make sure we minimise discriminstion in our discussions with the Commission," Mr Rutherford says.

A suitable case for intervention

FARMER'S VIEWPOINT

By John Cherrington

To the Commodities Editor from John Cherrington:

The enclosed is o rough translation of a long paper in Eurospeak which I found hidden in my copy of Green Europe, or maybe some other part of my massivo EEC propaganda postbag. It does seem to point to one solution of the perenniol agricultural problem as the initials CAP can apply equolly well to agriculture ond automobile.

It has long been felt that the Community lacks an industrial equivalent of the Common Agricultural Policy. This has generated a lack of balance in the whole planning and hudgetary process wbicb has led to dissensions between member states and botween industrial and rural communities in the Community. To eliminate these causes of friction we propose a "Common Automobile Policy."

A thriviog automobile industry employs almost every sector of modern manufacturing in the provision of components and assembly. Although some areas lead themselvee to automation this is mainly in primary manufacturing. Their demands for fuel, servicing, roads, hridges and the like absorh a large proportion of the manpower of most industrial societies.

Unlike the similarly ioitiolled Common Agricultural Policy there seems to be no decrease in the demand for automohiles in the developed or undeveloped world. In Europe one family in three has a motor car. But in South America ths proportion is one io 300, in the Soviet Union one in 500, and tha proportion rises towards infinity when considering China and other points east.

This situation offers considerable advantages when considering the disposal of such surpluses of automobiles as would arise because of fluctuations in aupply and domand. Thero is no reason at all why export restitutions sbould not be used to reduce the automobile intervention stocks which would be held by member states.

We do not foresee the sort of storage and disposal problems faced by those responsible for the orderly elimination of food surpluses engendered by tho existing CAP. Automobiles are not perishable, do not make people ill or over-fat and their lack of numbers in underprivileged societies becauso of administrative blunders does not cause people to starve.

Not all tho increasing supply of automobiles would hsve to be exported. The numbers in use in the Community are limited, not by lack of purchasing power hut by lack of motorways, car parks, repair workshops and other essential facilities. Here is where the two CAPs could he integrated. Too much food, it is agreed by almost everyone, is being grown. Every mile of motorway removes a large area of excess farm production, the cost of disposal of which must cumulatively exceed that of covering it in tarmac.

There is some criticism in scademic circles thst modern society is overwhelmingly addicted to independent travel in self-propelled vebicles. Wo believe that this criticism is ill-founded. Althougb at first sight it must seem thst mankind should havo something better to do than drive from A to B and back again, or even round and round, it is undouhtedly true, as Von Topfel says, that independent cells circulating through tho artories of modern society are unlikely to combine to form critical groups, hostils to establishod government.

It would be essential of course to onsure that Community manufacture sbould not be destroyed by third country imports snd for this wo would propose a common external tarriff, supported by quality standards such as emmission control, colour and anything else we could think of. To facilitate exports we would suggest that our aid programme should be directed towards the provision of roads. Many of the target countries for exports have vast areas of desert, tundra and mountain ideally suited to the provision of driving areas and tha more physically difficult they are, the more the under-employed engineering resources of ths Community could be put to use.

We have been giving s great deal of thought to the funding of this operation and believe we have solved the problem. Intervention is of course the backbone of the system and Antarctica, which largely belongs to members of the Community (or at least they lay claim to it) would be the ideal storage site. Experiments hove shown that motor cars suitably prepared can be stored indefinitely in aubzero temperatures, without doterioration.

Nor need this be the end of the matter. It bss been estimated thst automobiles stored in this way could he reconstituted once a suitable period is passed by rendering them down into their component elements and rebuilding them, a process which we understand only loses somo 5 per cent of the original raw materials. Finance for this operation could como from the sale to enthusiasts of genuine, mint-condition veteran automobiles, which could be 50 or even 100 years old.

In other words the automobile cycle of the Community would probably be self-perpetuating and sccording to some authorities, could absorb resources from agriculture to the extent that food shortages developed. The consequent demand for farm produce at real market prices could save the Community hudget the three-quarters of its resources which are spent on food surpluses. This must be the ultimate solution.

LONDON MARKETS

THE COCOA futures market maintained its recent firmer trend yesterday helped by sterling's weakness and a firm tone in the New York market. Sentiment was also aided by the removal of any lingering doubts about the future of the International Cocoa Agreement with the Ivory Coast's confirmation at the weekend of its intention to participate in the new pact. London cocoa prices finished below the day's highs but the September futures position was still up £14 from Friday's close at £1,447.50 a tonne. Coffee prices fell back a little following Friday's strong gains with the September futures position ending £16 down at £1,893.50 s tonne, in spite of the upward pressure provided by sterling's weakness. On the London Metal Exchange aluminium prices moved higher again, with the cash quotation closing £5.50 up on the day at £768.50 a tonne.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	768-9	+5.5	768
3 months	777.5-8	+6	777/762

Official closing (am): Cash 751.5-2 (756-6.5): three months 772-2.5 (768-8.6): settlement 767 (756.5). Final Kerb Close: 775-6. Turnover: 11,600 tonnes.

COPPER

Grade A	Unoffic'l close	+ or −	High/low
Cash	897.5-8.5	+1	919/898
3 months	910.5-7	+1.25	—

Official closing (am): Cash 886-7 (897.5): three months 915.5-6 (915-6.0): settlement 887 (888). Final Kerb Close: 916-7.

Standard			
Cash	867-9	−0.5	867
3 months	889-91	—	894.5/910

Official closing (am): Cash 868-6.0 (868.5-9): three months 888-90 (888-90): settlement 868.5 (869). US Producer prices 62.50-67 cents per pound. Total turnover: 29,850 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	258-9	+5	—
3 months	264-5	+6.25	266/252

Official closing (am): Cash 252-2.5 (249.5-50): three months 258-8.5 (255-5.5): settlement 252.5 (250). Final Kerb Close: 265-6. Turnover: 7,275 tonnes. US Spot: 21-24 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	2660 2	+3.5	2668
3 months	2700-5	+5	2705/2666

Official closing (am): Cash 2660-5 (2652-5): three months 2700-3 (2695-7): settlement 2666 (2655). Final Kerb Close: 2690-700. Turnover: 456 tonnes.

TIN

KUALA LUMPUR TIN MARKET: Close 14.14 (14.27) ringgit per kg. Down 0.13 ringgit per kg.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	548-7	−8.5	546.5
3 months	542.5-3	−7	549/538.5

Official closing (am): Cash 545-6 (565-6): three months 541-1.0 (549.5-50): settlement 549 (566). Final Kerb Close: 541-2. Turnover: 6,475 tonnes. US Prime Western: 41.50-44.75 cents per pound.

GOLD

Gold gained $3¾ to $353¼-353¾ on the London bullion market yesterday, supported by a weaker dollar, and possibly Japanese buying to mint coinage for the Emperor's birthday. The metal opened at $348½-349 and touched a low of $348¼-348¾. It was fixed at $350.80 in the morning and $353.60 in the afternoon, touching a peak of $354¼-354¾, as traders moved to cover short positions.

GOLD BULLION (fine ounce)	July 28	
Close	$353¼-353¾	(£238½-240)
Opening	$348½-349	(£207½-238)
M'n'g fix	$350.80	(£238.234)
Aft'n'n fix	$353.60	(£240.217)

GOLD AND PLATINUM COINS		
Kr'g'r'nd	$361-363	(£297¼-238¼)
½ Krug.	$185¼-186½	(£186¼-190)
¼ Krug.	$94-95	(£69½-64¼)
1/10 Krug.	$38-39	(£26¾-06¼)
Mapleleaf	$364½-367½	(£245½-248½)
Angel	$360-363	(£245½-245½)
1/10 Angel	$36-38	(£24¼-26¼)
New Sov.	$84-86	(£56¾-58¼)
Old Sov.	$89¼-90¾	(£60¼-01¼)
$20 Eagle	$435-465	(£293½-307¼)
NoblePlat	$461¼-466¼	(£318-310¼)

SILVER

Silver was fixed 3.6p an ounce higher for spot delivery on the London bullion market yesterday, at 339.95p. US cent equivalents of the fixing levels were: spot 501.60c, up 0.60c; three-month 509.40c, up 0.90c; six-month 517.30c, up 0.80c; and 12-month 533.75c, up 0.75c. The metal opened at 340½-342p (500-502c) and closed at 339½-341p (501-503c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	339.95p	+3.60	339.00p	+1.75
3 months	348.00p	+4.05	347.28p	+1.75
6 months	356.35p	+4.25	—	—
12 months	373.80p	+4.35	—	—

LME—Turnover: 7 (1) lots of 10,000 oz.

Three month high 347, low 338.5, final kerb 348-9p.

MEAT

Live pig prices closed slightly weaker due to light hedge selling but deadweight closed on a firmer tone closing 2p higher. Live cattle closed slightly weaker without trading, reports Eastern Capital CCST.

Pig sales: 52 (55) lots of 3,250 kg.

Month	LIVE CATTLE Y'day's close	+ or −	LIVE PIGS Y'day's close	+ or −
Aug	96.00	—	98.00	+.50
Sept	96.90	−.30	—	—
Oct	98.50	—	103.80	+.50
Nov	99.50	−.50	105.30	—
Jan	99.50	—	—	—
Feb	100.00	+.50	99.50	−.50

MEAT COMMISSION—Average fatstock prices at representative markets: GB—Cattle 95.96p per kg lw (−0.72): GB—Sheep 159.28p per kg est dcw (−11.61): GB—Pigs 76.04p per kg lw (+0.83).

INDICES

REUTERS

July 28	July 25	M'th ago	Year ago
1465.0	1461.1	1438.8	1686.8

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	July 90	July 24	M'th ago	Year ago
Spot	100.83	156.44	—	115.06
Fut	116.04	115.68	—	115.13

(Base: December 31 1931 = 100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	July 27 1986	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1220/240		$1240/260
Copper			
Cash Grade A	£898	+1	£897.0
3 mths	£916.75	+1.25	£918.75
Gold Troy oz	$353.5	+3.75	$344.25
Lead Cash	£258.5	+5	£270.5
3 mths	£264.0	+6.25	£278.5
Nickel			
Free Mkt	177/199c	−3	184/204c
Palladium oz	$112.00		$111.5
Platinum oz	$448.5	+3.75	$438.75
Quicksilver†	$170/186		$210/220
Silver troy oz	339.95p	+0.60	337.20p
3 months	348.05p	+4.05	345.05p
Tin			
free mkt	£3640/680		£3560/60
Tungsten	$54.42		$58.73
Wolfram 22.0lb	$42/50		$42/50
Zinc	£546	−8.5	£511.0
3 months	£542.75	−7	£516.5
producers	$840		$840
OILS			
Coconut (Phil)	$245w	+12.5	$255
Palm Malayan	$212.5z		‡
Copra Phil	$140y		$160
Soyabean (U.S.)	$166y	+9	$169
GRAINS			
Barley Fut. Nov.	£103.5	−0.9	£98.05
Maize	£135		£134.5
Wheat Fut Nov.	£104.0	−0.85	£99.40
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept	£1447	+18.5	£1275.5
Coffee Ft. Sept	£1893.5	−16.0	£1684.5
Cotton A Ind.*	36.60c	+0.05	39.8c
Gas Oil Sept.	$87.50	−3.00	$114.75
Rubber (kilo)	61.00p	+1.00	58p
Sugar (raw)	$155.50	+10.00	$143.5
Wooltops 64s	398p kilo	−2.0	415p kilo

‡ Unquoted. † Per 75-lb flask. c Cents per pound. y July-Aug. z Aug. w Aug-Sept. n Oct. * Cotton Outlook.

COCOA

COCOA	Yesterday's Close £ per tonne	+ or −	Business Done
July	1429-1430	+17.5	1438-1419
Sept.	1447-1448	+14.0	1457-1434
Dec	1498-1493	+21.0	1497-1470
March	1522-1593	+23.5	1524-1497
May	1534-1535	+20.0	1558-1513
July	1547-1553	+25.0	1563-1536
Sept.	1662-1663	+24.5	1570-1554

Sales: 3,274 (3,763) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for July 25 94.17 (—): five-day average for July 28 94.44 (—).

COFFEE

A featureless day in very light volume, reports Drexel Burnham Lambert. Ignoring a stronger dollar the market opened £6 higher, against an expected $20 higher mixed selling in light volume took levels to the day's lows by mid afternoon. A weakening dollar encouraged the "C" contract to move higher and London followed to close £14 lower on the day.

COFFEE	Yesterday Close	+ or −	Business Done
July	1872-1886	−11.0	1900-1870
Sept	1892-1895	−16.0	1915-1875
Nov	1920-1925	−4.0	1935-1904
Jan	1945-1948	−8.0	1956-1935
Mar	1965-1975	−11.5	1985-1960
May	1980-1990	−10.0	2000-1985
July	1990-2010	−20.0	—

Sales: 2,110 (2,816) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for July 26 Comp. daily 1979 156.75 (155.89); 15-day average 149.35 (148.12).

SOYABEAN MEAL

Although prices moved higher through the day volume was light. A weaker sterling was the main influence but improved late in the day to cause some profit-taking, reports Muirpace.

	Y'sterday's close £ per tonne	+ or −	Business Done
August	127.0-128.0	+1.00	—
October	127.1-127.5	+1.25	127.8
Dec.	127.5-127.8	+1.40	127.5
Feb.	129.5-130.5	+1.35	—
April	130.0-131.5	+1.50	—
June	129.0-129.5	+1.80	129.2
August	128.8-128.5	+1.50	128.2

Sales: 195 (264) lots of 20 tonnes.

GRAINS

Mnth	WHEAT Yesterday's Close	+ or −	BARLEY Yest'rdy's Close	+ or −
Sept.	101.85	+0.35	102.40	+0.45
Nov.	104.60	+0.35	104.60	+0.55
Jan	107.58	+0.30	107.75	+0.50
Mar.	110.05	+0.30	109.90	+0.20
May	112.90	+0.20	111.10	+0.45

Business done—Wheat: Sept 101.75 only, Nov 104.60-4.50, Jan 107.55-7.45, March 110.05-0.00, May 112.55 only. Sales: 69 lots of 100 tonnes. Barley: Sept 102.25-1.95, Nov 104.85-4.70, Jan 107.80-7.55, March 109.75 only, May 111.15 only. Sales: 153 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern spring No 1 15 per cent Aug 97.00, Sept 96.00, Oct 98.50 sellers, transhipment East Coast. US No 2 soft red winter Aug 90.75, Sept 92.00, Oct 94.50 sellers. English feed fob spot 103.00 paid, Sept 103.30, Oct/Dec 108.25, Jan/Mar 13.50. Maize: US No 3 Yellow/French transhipment East Coast July 135.00. Barley: English feed fob Sept 103.60, Oct/Dec 108.25, Jan/Mar 113.50. Rest unquoted.

HGCA—Herewith today's locational ex-farm spot prices: Feed barley: Eastern 97.00, E Mids 96.60. The UK monetary coefficient for the week beginning Monday August 4 (based on HGCA calculations using 4 days' exchange rates) is expected to change to 1.143.

TEA

There were 27,508 packages on offer in this week's sale including 4,400 packages in the offshore section, reports the Tea Brokers' Association. Demand was strong and general. Best liquoring East African Teas sold readily and frequently advanced with dust strong, while mediums opened irregular but closed several pence higher. Selected colory Central Africans recorded substantial gains with the remainder tending dearer. Ceylons came in for good demand at firm to dearer rates. Offshore Teas were well supported and sometimes gained ground. Quotations:—Quality 200p a kg nominal (200p), medium 162p (160p), low medium 102p (99p).

JUTE

JUTE—July/Aug c and f Dundee: BTC $370, BWC $370, BTD $330, BWD $330; c and f Antwerp: BTC $360, BWC $350, BWD $320, BTD $320.

RUBBER

PHYSICALS—The London market opened unchanged with little or no interest throughout the day and closed dull, reports Lewis and Peat. Closing prices (buyers): Spot 61.00p (up 1.00p); Oct 60.00p (up 1.00p); Sept 60.00p (up 1.00p). The Kuala Lumpur fob price (Malaysian cents per kg): RSS No 1 222.5 (223.0) and SMR 20 194.0 (193.0).

FUTURES—Index 610, Aug 600-605, Sept 580-598, Oct/Dec 582-587, Jan/March 601-607, April/June 614-619, July/Sept 616-620. Sales: 0.

POTATOES

Month	Yesterdays close	Previous close	Business done
	£ per tonne		
Nov	120.50	116.00	130.50-118.5
Feb	132.00	126.00	
Apr	198.00	189.20	198.00-192.00
May	205.00	198.50	208.00 —
Nov	91.50	87.50	

Sales: 1,128 (1,655) lots of 40 tonnes.

Earlies—Aug 100.00 +2.50; Sept 100.00 u/c. Sales: 20 lots of 10 tonnes.

OIL

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—August		
Arab Light	—	—
Arab Heavy	—	—
Dubai	7.50-.65	−0.25
Brent Blend	8.85-.89	−0.05
W.T.I. (1pm est)	10.80-.90	—
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	124-130	—
Gas Oil	91.50-93.00	−3.75
Heavy fuel oil	46-47	−0.50
Naphtha	86-88	−2.00

Petroleum Argus estimates.

CRUDE OIL FUTURES—Brent Blend index $ a barrel. (Close, change, business done): Index 9.47, −0.22, 9.47.

TRADE IN 15-day Brent and Dubai was thin today, as traders awaited direction from Opec. Nymex WTI opened 25 cents down for Sept and traded in a narrow 15 cent range to close the morning 12 cents down by 1.30 pm EDT. The petroleum products market was quiet as the Opec meeting got under way. Middle distillates fell on weak London futures. There was little demand, except for some interest in gasoline. Fuel oil was quiet.

GAS OIL FUTURES

Month	Yst'rday's Close US $ per tonne	+ or −	Business Done
Aug.	94.50	−3.25	96.75-94.00
Sep.	97.50	−2.00	99.50-96.00
Oct.	99.75	−3.00	101.00-99.50
Nov.	103.50	−3.00	105.50-101.7
Dec.	106.00	−2.50	105.00-104.0

Turnover: 1,872 (866) lots of 100 tonnes.

COTTON

Spot and shipment sales in Liverpool for the week commencing July 21 amounted to 958 tonnes against 448 tonnes in the previous week. Increased activity brought operations in Spanish, American, Pakistani and West African growths.

US MARKETS

NEW YORK precious metals, with the lingering exception of silver, traded strongly, with both platinum and gold futures recording good gains following generally constructive pre weekend closes, reports Heinold Commodities. Platinum finished almost $4 up in the leading October position whilst gold at one point leapt a full $8 in the spot August delivery to reach $356.3 per ounce, its highest level since mid-March. The market appeared to be reacting to an article in the influential Barron's economic publication suggesting support for precious metals given the extent of the US trade deficit. The New York cocoa market responded favourably to confirmation that the Ivory Coast is indeed to participate in a new ICCO pact, with the September position penetrating the crucial $2,000 per tonne level before profit taking pared the gains to a net $25 on the day.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	High	Low	Prev
July	52.70	—	—	52.55
Aug	52.75	—	—	52.60
Sept	52.95	53.00	52.25	52.80
Dec	53.40	53.15	52.60	53.30
Jan	53.50	—	—	53.40
March	53.85	—	—	53.75
May	54.15	—	—	54.05
July	54.40	—	—	54.30
Sept	54.60	—	—	54.50
Dec	54.70	—	—	54.60

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
Sept	1991	2009	1970	1966
Dec	2028	2040	2008	2003
March	2067	2075	2043	2041
May	2085	2085	2065	2060
July	2095	2100	2080	2080
Sept	2115	2125	2100	2103
Dec	2136	—	—	2130

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Aug	32.30	32.25	31.15	32.01
Sept	33.20	33.20	31.85	32.88
Oct	33.00	33.90	32.70	33.40
Nov	34.60	34.75	33.90	34.30
Dec	35.74	35.74	34.60	35.30
Jan	35.85	36.10	35.10	35.80
Feb	36.25	36.25	35.50	36.20
March	33.50	33.50	33.25	34.00
April	33.60			32.75
May	31.95	32.00	31.50	31.70

COPPER 25,000 lbs, cents/lb

	Close	High	Low	Prev
July	58.45	58.55	58.50	58.85
Aug	58.50			58.90
Sept	58.80	59.45	58.60	59.25
Dec	59.36	59.90	59.10	59.80
Jan	59.55			60.00
March	59.90	60.45	59.90	60.40
May	60.30	60.50	60.50	60.80
July	60.70	61.00	60.80	61.20
Sept	61.00	61.70	61.40	61.50
Dec	61.45	62.30	62.00	61.96

COTTON 50,000 lbs, cents/lb

	Latest	High	Low	Prev
Oct	31.20	31.75	31.15	31.88
Dec	32.07	32.60	32.07	32.78
March	33.10	33.40	33.05	33.83
May	—	34.05	33.90	34.55
July	34.75	36.00	34.75	36.33
Oct	35.70	35.85	35.10	37.05
Dec	36.60	36.95	36.50	38.00

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel

	Latest	High	Low	Prev
Sept	10.90	11.02	10.65	10.90
Oct	10.85	10.93	10.65	10.84
Nov	10.96	11.03	10.75	10.95
Dec	11.13	11.18	10.91	11.13
Jan	11.21	11.21	11.00	11.19
Feb	11.20	11.15	11.05	11.24
March	11.29	11.29	11.08	11.29
April	11.29	11.30	11.15	11.34
May	11.34	11.34	11.10	11.39
June	11.40	11.15	11.10	11.44
July	—	11.35	11.00	11.49

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
July	354.8	—	—	347.9
Aug	355.1	358.3	344.7	348.2
Sept	356.3	356.0	354.8	350.0
Oct	358.1	359.4	355.5	351.1
Dec	361.4	362.5	358.5	354.3
Feb	364.8	366.9	363.8	357.5
April	368.1	368.7	367.5	360.8
June	371.5	372.0	370.0	364.1
Aug	375.2	377.0	373.8	367.7

SPOT PRICES—Chicago loose lard 16.50 (same) cents per pound. Handy and Harman silver bullion 502.50 (502.0) cents per troy ounce.

COFFEE "C" 37,500 lbs, cents/lb

	Close	High	Low	Prev
Sept	187.09	188.50	184.75	188.15
Dec	190.12	192.00	188.25	191.61
March	191.72	193.30	190.75	193.50
May	194.00	195.00	193.50	195.13
July	195.95	—	—	197.50
Sept	196.50	—	—	197.50
Dec	196.75	—	—	198.75

ORANGE JUICE 15,000 lbs, cents/lb

	Close	High	Low	Prev
Sept	101.00	101.10	100.60	100.30
Nov	102.90	103.20	102.75	102.30
Jan	104.70	105.25	104.50	104.50
March	106.30	106.40	105.75	105.70
May	108.05	107.05	106.30	108.50
Sept	111.05	—	—	111.50

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
July	449.4	449.2	449.0	445.3
Oct	451.8	454.5	448.5	447.3
Jan	454.3	457.0	453.0	450.3
April	457.8	460.8	458.5	453.6
July	461.1	462.0	460.5	457.1

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
July	507.2	507.0	502.0	498.3
August	504.4	501.5	501.5	500.4
Sept	508.7	508.2	503.5	502.7
Dec	515.3	517.0	512.0	511.3
Jan	518.2	—	—	514.2
March	523.8	524.0	520.5	519.8
May	529.7	531.2	528.2	526.7
July	535.5	532.0	532.8	531.4
Sept	541.7	538.0	538.5	537.2
Dec	551.2	551.5	548.8	546.9

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Sept	5.60	0.55	2.40	5.45
Oct	6.80	2.85	2.60	4.77
Jan	2.95	7.00	6.77	2.85
March	7.35	7.43	7.26	7.48
May	7.52	7.53	7.46	7.61
July	7.69	7.73	7.60	7.80
Sept	7.70	—	—	7.81
Oct	7.91	7.91	7.81	8.03

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
August	59.85	59.85	59.35	59.35
Oct	60.35	60.35	60.35	59.85
Dec	59.95	59.95	59.55	59.40
Feb	59.37	58.60	58.10	57.30
April	59.37	59.87	59.15	59.37
June	58.42	60.00	59.00	58.87

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
August	61.10	61.10	60.40	59.60
Oct	55.40	56.40	55.50	54.50
Dec	54.80	54.87	53.50	53.40
Feb	53.32	53.35	52.45	51.95
April	47.05	47.22	46.40	45.50
June	47.35	48.00	47.02	46.80

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
Sept	174.2	175.4	172.0	174.2
Dec	176.2	176.4	172.4	174.0
March	186.0	186.4	183.2	184.4
May	191.0	191.6	188.4	190.0
July	192.8	194.0	191.4	191.8
Sept	188.6	188.2	186.5	187.0

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
August	87.35	87.35	86.50	85.35
Feb	81.65	81.85	80.25	79.50
March	80.37	80.50	79.25	78.75
May	77.95	78.20	76.70	76.60
July	74.62	74.95	74.05	72.95
August	71.20	01.20	70.10	57.70

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
July	534.4	536.4	532.0	533.6
August	521.2	526.2	520.4	522.2
Sept	505.2	509.4	504.0	505.2
Nov	506.4	510.4	503.4	505.6
Jan	515.4	518.5	513.0	514.6
March	524.4	528.5	522.0	523.0
May	530.4	534.0	528.4	530.9
July	—	—	—	—
August	532.0	—	—	530.4

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
August	150.1	150.8	149.5	150.2
Sept	146.5	147.3	146.3	146.9
Oct	146.3	147.5	145.7	146.5
Dec	148.3	149.5	147.8	148.2
Jan	148.7	150.5	148.7	149.5
March	151.0	152.5	151.0	151.2
May	153.5	154.5	153.5	153.4
July	156.5	156.5	156.0	157.5
August	156.5	—	—	157.5

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
August	16.48	16.58	16.46	16.27
Sept	16.54	16.72	16.56	16.52
Oct	16.79	16.86	16.70	16.65
Dec	17.32	17.46	17.19	17.17
Jan	17.41	17.60	17.36	17.27
March	17.70	17.86	17.62	17.52
May	17.90	18.05	17.85	17.80
July	18.10	18.25	18.10	18.10
August	17.83	—	—	17.85

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Sept	260.2	262.0	255.2	256.4
Dec	263.2	265.4	260.0	260.6
March	260.4	262.8	257.4	258.4
May	247.5	248.5	246.0	245.4
July	236.6	238.5	236.4	236.5

SUGAR

LONDON DAILY PRICE—Raw sugar $155.50 (£105.60) up $10.00 (£8.00) a tonne for August-Sept delivery. White sugar $198.00 (up $6.00).

Good trade buying lifted October to $154 but New York failed to match up and prices fell, reports Czarnikow.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne F.O.B.		
Aug	145.0-144.6	148.4-147.0	150.2-145.0
Oct	150.8-156.4	151.4-151.9	154.8-147.0
Dec	166.4-157.6	156.6-158.2	—
Mar	164.0	157.0-157.8	166.0-162.6
May	168.8-166.2	171.0-172.0	168.0
Aug	172.0-175.0	175.0-177.8	—
Oct	176.0-179.0	178.0-180.0	—

Sales: 2,252 (3,483) lots of 50 tonnes.

PARIS—(FFr per tonne): Oct 1357/1360 Dec 1360/1370, March 1390/1402, May 1430/1445, Aug 1460/1477, Oct 1495/1520.

Tate & Lyle delivery price for granulated basis sugar was £209.5 (£197.0) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for July 25. Daily price 5.92 (5.64); 15-day average 5.32.

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
July	564/181	560	563/66
Oct.	545/144	547/43	547/46
Jan.	676/77	680/77	676/82
April	792/52		740/60
July	675/85	675	686/700
Oct.	756/75	—	755/805
Jan.	770/810	—	770/830
Ap.	820/900	—	400
BFI.	567	—	566.6

Turnover: 28 (48).

	Close	High/Low	Prev.
Tankers			
July	1035/75	1035	1090/30
Aug	990/1010	990	950/1020
Sep	1060	—	1000/60
Dec	—	—	—
Mar	—	—	—
June	—	—	—
BTI	1042.6	—	1050.0

Turnover: 16 (12).

Antwerp diamonds

THE DIAMOND trade in Antwerp, the world's biggest polished diamond centre, is flourishing again after recovering from a scandal in which two men were accused of laundering undeclared profits.

Antwerp's Diamond High Council said that the first half of this year saw polished diamond imports rising 22 per cent in volume and unpolished imports 40 per cent while the corresponding increases for exports were 5.5 per cent and 17 per cent.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound at new lows

The US dollar, sterling and Australian dollar suffered from nervous selling on the foreign exchanges yesterday. Expectations of disappointing US economic statistics this week, including tomorrow's June trade figures, pushed the dollar down to a 5-year closing low DM 2.1135, from DM 2.1450. The US currency also fell to the lowest since October 1980, at SFr 1.7000 compared with SFr 1.7320; to FFr 6.8375 from FFr 6.9390; and to Y155.75 from Y157.60. On Bank of England figures the dollar's index fell to 112.7 from 113.4.

Press speculation at the weekend that Mrs Thatcher's position as Prime Minister may not be secure, after a period when the British Government has encountered problems over South Africa and the Commonwealth and has again come under fire following the Commons defence committee report on the Westland affair, undermined confidence in sterling.

Oil provided further nervousness, as ministers from Opec met in Geneva amid strong doubts about their ability to reach agreement on production quota cuts.

The pound's exchange rate index fell 1.3 to 71.7, the lowest level since March 13, 1985, around the time of the last sterling crisis, when the pound was worth only $1.0860. Sterling closed at a record low of DM 3.13 from DM 3.18, and also declined to FFr 10.13 from FFr 10.29; to SFr 2.5175 from SFr 2.5675; and to Y230.75 from Y233.75. Against the dollar the pound eased 15 points to $1.4810-1.4820.

The Australian dollar recovered to above 61 US cents in London, after falling to a record low of 57.15 cents in Sydney. The Australian currency's trade weighted index closed at a record low of 50.2, compared with 50.5, according to the Australian Reserve Bank. The recovery followed the Australian Government's decision to relax foreign investment rules and to drop regulations imposing 10 per cent withholding tax on Australian borrowers on foreign markets. It was also aided by a rise to 16 per cent from 14.6 per cent in the Reserve Bank's Treasury note rediscount rate. The central bank also intervened to provide support for the Australian dollar.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1135. June average 2.3320. Exchange rate index 137.5 against 132.8 six months ago.

The D-Mark was firm in quiet Frankfurt trading, improving against the dollar, sterling, and consolidating its position within the European Monetary System. The Bundesbank did not intervene at the Frankfurt fixing, when the dollar fell to DM 2.1379 from DM 2.1482. It closed at DM 2.1270 compared with DM 2.1530 on Friday. There was little reaction to news that the cost of living in West Germany continued to fall in July, with consumer prices falling at a year-on-year rate of 0.5 per cent, compared with 0.2 per cent in June.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 155.00. June average 167.50. Exchange rate index 216.7 against 180.5 six months ago.

The yen was little changed against the US dollar in Tokyo yesterday, as attention turned to the sharply weaker Australian dollar. News the Australian Government had reversed a decision to tax interest on issues of securities, on foreign markets by Australian borrowers, helped the Australian dollar recover from a record low, after the Australian Reserve Bank had also raised its Treasury rediscount rate. Japanese institutional investors were reported to be nervous about holding Australian bonds and securities in the present financial climate. The US dollar traded quietly by comparison, closing in Tokyo at the day's low of Y157.20, compared with Y157.10 on Friday, amid suggestions any upward potential in the US currency this week will be limited to around Y158.50.

£ IN NEW YORK

July 28	Latest	Prev. close
£ Spot	$1.4810-1.4820	$1.4780-1.4790
1 month	0.46-0.43pm	0.43-0.42pm
3 months	1.27-1.25pm	1.20-1.18pm
12 months	4.46-4.60pm	4.40-4.30pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

July 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4655-1.4820	1.4810-1.4820	0.42-0.39c pm	3.28	1.24-1.19pm	3.28
Canada	2.0388-2.0522	2.0520-2.0530	0.25-0.15c pm	1.17	0.55-0.40pm	0.93
Nethlnd.	3.52-3.55¾	3.52½-3.53½	1½-1¼c pm	4.25	4-3¾pm	4.29
Belgium	64.45-65.10	64.60-64.70	17-12c pm	2.69	48-38pm	2.09
Denmark	11.80-11.94¾	11.80½-11.81½	1¾-1¼ore pm	1.27	4¾-3¼pm	1.26
Ireland	1.0545-1.0625	1.0555-1.0565	par-0.10p dis	−0.56	0.05-0.25dis	−0.57
W. Ger.	3.12¼-3.15¾	3.12½-3.13½	1½-1¼pf pm	5.27	4¼-4pm	5.27
Portugal	217.56-220.22	218.60-220.20	65-185c dis	−9.29	180-495dis	−9.79
Spain	201.02-201.94	201.02-201.30	35-65c dis	−2.73	100-140dis	−2.26
Italy	2,141½-2,167½	2,153-2,154	2-5lire dis	−1.95	6-11dis	−1.56
Norway	11.03¼-11.08½	11.05½-11.06½	3¼-4¾ore dis	−4.61	12½-13½dis	−4.72
France	10.10¼-10.20	10.12½-10.13½	2¾-1½c pm	2.52	6⅞-6⅛pm	2.57
Sweden	10.37¾-10.41	10.40-10.41	½pm-½ore dis	0.22	1¼-¾ore pm	0.26
Japan	229¾-231¼	230¼-231¼	1⅛-1y pm	5.20	3¼-2⅞pm	5.20
Austria	22.09-22.16	22.12-22.16	9½-7½gro pm	4.88	27-23½pm	4.00
Switz.	2.50¾-2.54½	2.51¼-2.52¼	1¼-1c pm	4.77	3¼-3pm	4.97

Belgian rate is for convertible francs. Financial franc 65.50-65.60. Six-month forward dollar 2.45-2.40c pm, 12-month 4.55-4.40c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

July 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4820-1.4655	1.4810-1.4820	0.42-0.38c pm	3.28	1.24-1.19pm	3.28
Ireland†	1.3870-1.4035	1.4025-1.4035	0.45-0.25c pm	3.02	1.40-1.00pm	3.45
Canada	1.3845-1.3890	1.3870-1.3880	0.23-0.26c dis	−2.12	0.76-0.81dis	−2.26
Nethlnd.	2.3815-2.4175	2.3815-2.3825	0.20-0.18c pm	0.95	0.67-0.62pm	1.07
Belgium	43.60-44.25	43.60-43.70	1-3c dis	−0.54	5-8dis	−0.64
Denmark	7.97-8.09	7.97-7.97½	1.40-2.00ore dis	−2.54	3.85-4.25dis	−1.97
W. Ger.	2.1120-2.1525	2.1130-2.1140	0.35-0.32pf pm	1.88	1.05-1.00pm	1.82

FINANCIAL FUTURES

Prices fall

Prices fell on the London International Financial Futures Exchange yesterday. Nervousness surrounding sterling, as a result of weaker oil prices, and speculation the crude price could slip to $5 a barrel, in spite of the present efforts of Opec ministers meeting in Geneva to agree production quota cuts, was increased by the UK Government's political problems. This led to early selling of gilts in the cash market, and a weak opening in long gilt futures, with September delivery opening at 119.10, and quickly falling to 119.07, a full point below Friday's close. The price recovered to just touch 120, before closing at 119.27, still below Friday's close of 120.07, but encouraged by an upward turn in the cash market.

US Treasury bond futures were also weaker, showing nervousness ahead of tomorrow's announcement of the US Treasury's quarterly refunding requirement, after earlier doubts about whether Gramm-Rudman legislation, on raising the debt ceiling, would cause delay, were replaced by nervousness about Japanese investors reaction to a possible $30bn record refunding package. June US trade figures will also be published tomorrow. September Treasury bonds opened at 96.14, near the day's high of 96.15, and after touching 95.27 closed at 96.07, against 96.25 previously.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
118	4.02	5.10	—	—	0.12	1.30	—	—
116	2.27	3.58	—	—	0.37	2.14	—	—
120	1.16	2.55	—	—	1.25	3.11	—	—
122	0.33	2.01	—	—	2.43	4.21	—	—
124	0.11	1.24	—	—	4.21	5.44	—	—
126	0.03	0.58	—	—	6.13	7.14	—	—
128	0.01	0.37	—	—	8.11	8.57	—	—
130	0.00	0.22	—	—	10.10	10.42	—	—

Estimated volume total, Calls 776, Puts 75
Previous day's open int. Calls 11,898, Puts 4,484

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
88	8.10	8.38	—	—	0.02	1.02	—	—
90	6.21	7.07	—	—	0.07	1.35	—	—
92	4.35	5.49	—	—	0.21	2.13	—	—
94	2.54	4.38	—	—	0.50	3.02	—	—
96	1.50	3.37	—	—	1.38	4.01	—	—
98	0.90	2.47	—	—	2.48	5.11	—	—
100	0.28	2.03	—	—	4.14	6.31	—	—
102	0.12	1.33	—	—	6.62	7.61	—	—

Estimated volume total, Calls 40, Puts 25
Previous day's open int. Calls 1,696, Puts 747

FINANCIAL TIMES CONFERENCES

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15 & 16 October, 1986

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Mr Fabio Chiusa, Ipacri
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Mr Malcolm Hughes, The Prudential Assurance Company Ltd
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Mr Doug McCallum, EFT-POS Administration Ltd
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MONEY MARKETS

No reaction to weak pound

Interest rates showed virtually no reaction to the weakness of sterling yesterday. There was no yield curve in short term rates, with sterling certificates of deposit from one-month to one-year quoted at 9 11/16 per cent to 9 13/16 per cent. Three-month interbank closed at 9 15/16-10 per cent, compared with 9⅞-10 per cent. As the prospects of lower bank base rates have all but disappeared, as far as the immediate future is concerned, discount houses continued to be fairly willing sellers of longer-dated band 4 eligible bills yesterday.

The Bank of England initially forecast a money market shortage of £450m, but revised this to £500m at noon, and provided total assistance of £492m.

Before lunch the authorities bought £231m bills outright, by way of £1m bank bills in band 1 at 9⅞ per cent; £4m bank bills in band 2 at 9 13/16 per cent; £13m bank bills in band 3 at 9¾ per cent; and £213m bank bills in band 4 at 9 11/16 per cent.

In the afternoon another £111m bills were purchased outright, through £7m bank bills in band 2 at 9 13/16 per cent; £50m bank bills in band 3 at 9¾ per cent; and £54m bank bills in band 4 at 9 11/16 per cent.

Late assistance of £150m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £945m, with bank balances below target absorbing £30m. These factors outweighed Exchequer transactions adding £195m to liquidity.

In Frankfurt call money rose to 4.675 per cent from 4.55 per cent in tight conditions as the West German Bundesbank withdrew some of the funds disbursed to provide extra liquidity two weeks ago. Any hopes of lower German interest rates were set back last Friday by the announcement that the central bank money stock growth accelerated to 7 per cent in July from 6.5 per cent in June, and remains well above the official target range of 3½ per cent to 5½ per cent.

UK clearing bank base lending rate, 10 per cent since May 22

NEW YORK RATES

(Lunchtime)

Prime rate	8
Broker loan rate	7½
Fed funds	6⅝
Fed funds at intervention	6⅝
Treasury Bills & Bonds	
One-month	5.47
Two-month	0.75
Three-month	6.01
Six-month	6.16
One-year	0.34
Two-year	6.73
Three-year	5.93
Four-year	7.07
Five-year	7.13
Seven-year	7.31
10-year	7.40
30-year	7.49

FT LONDON INTERBANK FIXING

(11.00 a.m. July 28)

Three months US dollars		Six months US dollars	
bid 0⅛	Offer 0⅝	bid 0½	Offer 0⅝

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

MONEY RATES

July 28	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v't'n
Frankfurt	4.60-4.75	4.05-4.70	4.55-4.70	4.55-4.65	4.55-4.70	0.0
Paris	7⅛	7⅛-7¼	7⅛-7¼	7⅛-7¼	7⅛-7¼	7
Zurich	⅞-1⅛	5-0⅛	—	4⅞-5	—	—
Amsterdam	0⅛-0⅝	0⅝-5¾	—	5⅞-5⅞	—	—
Tokyo	4.71870	4.65625	—	4.71875	—	—

Long-term Eurodollars: two years 7-7¼ per cent; three years 7¼-7⅜ per cent; four years 7⅜-8 per cent; five years 8-8⅛ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others two days' notice.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 28
Belgian Franc	43.6761	43.7695
Danish Krone	7.91896	7.97062
German D-mark	2.13834	2.12064
French Franc	0.96280	6.86549
Dutch Guilder	2.40935	2.38950
Irish Punt	0.712356	0.714263
Italian Lira	1496.21	1455.92

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on July 28, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ck) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	9.975
Algeria	Dinar	7.22
Andorra	French Franc	10.13
	Spanish Peseta	201.16
Angola	Kwanza	45.1290
Antigua	E. Caribbean $	3.9785
Argentina	Austral	1.3995
Ghana	Cedi	132.21
Gibraltar	Gibraltar $	1.0
Greece	Drachma	202.50
Greenland	Danish Krone	11.81
Grenada	E. Caribbean $	3.9785
Guadaloupe	Local Franc	10.13
Guam	U.S. $	1.4815
Guatemala	Quetzal	1.4815
Panama	Balboa	1.4815
Papua New Guinea	Kina	1.4632
Paraguay	Guarani	359.40 (10)
		927.0 (7)
Peru	Inti	exc(A)20.52
Philippines	Philippine Peso	29.35
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.7930

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1986 High	1986 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
102	100	Exch. 14pc 1986	100		[illegible]	9.75
98	94	Exch. 2½pc 1986	98	−	[illegible]	7.10
102	100	Exch. 13¼pc 1987	101½	−	[illegible]	9.86
100	97	Treas 10¼pcCv '87	100	−	[illegible]	9.74
97	92	Exch 2½pc 1987	97	−	[illegible]	7.09
101	97½	Exch. 10½pc 1987	100	−	[illegible]	9.92
98	93	Funding 6½pc '85-87‡‡	98	−	[illegible]	8.90
101	96	Treas. 10pc 1987	100	−	[illegible]	9.80
97	90	Treas 3pc 1987	96	−	[illegible]	7.11
104½	99	Treas. 12pc 1987	102	−	11.[illegible]	4.87
99	92	Treas 7¾pc 1985-88‡‡	98	−	7.[illegible]	9.20
104	96	Exch 10½pc '88	100	−	10.[illegible]	9.86
102	95	Treas 9¼pc Cv '88	99	−	9.[illegible]	9.80
94	86	Transport 3pc '78-88	93	−	3.[illegible]	6.94
102½	93	Treas. 9½pc '88	99	−	9.58	9.83
107	98	Treas 11½pc 1989	103	−	11.08	9.80
103½	93	Treas 9½pc Cnv '89	99	−	9.56	9.76
92	82	Treas 3pc 1989	89	−	3.35	7.10
105	95	Treas 10½pc 1989	101	−	10.32	9.80
104	94	Exch 10pc 1989	100½xd	−	9.95	9.80
107	97	Exch 11pc 1989	103	−	10.65	9.71
93	84½	Treas 5pc 1986-89	91	−	5.49	8.09
110	96	Exch 10¼pcCv '89	104	−	9.74	8.46
114	103	Treas 13pc 1990‡‡	109	−	11.83	9.56
108	97	Exch 11pc 1990‡‡	104xd	−	10.57	9.63
113	101	Exch. 12½pc 1990	108	−	11.53	9.68
89	79	Treas. 3pc 1990	86	−	3.50	7.20
100	89	Treas 8¼pc 1987-90‡‡	97	−	[illegible]	9.07
106	93	Treas. 10pcCv 1990	102	−	[illegible]	9.59

Five to Fifteen Years

Over Fifteen Years

Undated

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HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
317	210	Morgan Crucible	253	−4	8.5	1.7	4.1	15.9
23½	15½	Morris (W) F A 20p	16½	....	—	—	—	—
139	96	Moss (Robt.) 10p	130	....	13.3	2.7	3.6	14.0
141	65	Myson Grp 10p	122	....	2.63	2.6	3.1	15.6
365	259	NMW Computers	300	....	6.0	3.0	2.8	12.3
40	27	Nash Inds.	39	....	10.5	—	1.8	—
27½	15½	Neill & Spencer 10p	21	....	—	—	—	—
39	28	Newman Inds 10p	36	....	0.8	1.2	3.2	(34.6)
134	65	Noble & Lund 10p	134	+4	0.7	4.3	0.7	44.1
65	44	Norton	47	+1	10.95	7.0	2.9	6.7
138	96	Norank Systems 5p	131	−1	3.0	♦	3.2	♦
286	187	Norcros	238	....	9.3	2.2	5.5	11.4
173	49	Nu-Swift 5p	157	....	3.5	2.2	3.3	21.1
£303	£228	OCE 9pc Cnv 1987-92	£292	....	Q9%	—	f3.1	—
110	80	Oakwood Grp.	100	−2	5.0	1.5	‡	13.9
258	203	Office & Elect	220	−3	8.5	2.9	5.4	9.0
183	70	Oldacre 20p	180	....	5.0	♦	4.0	♦
36	24	Optometrics $0.01	30	....	—	—	—	—
810	500	Oriflame £1	800	+5	24.5	2.1	4.3	15.5
10	6	Owenstone 12½c	6	....	Q03.23c	1.9	14.1	3.7
		For Ozalid 9pc Cnv see OCE 9pc Cnv						
142	85	PCT Grp 10p	110	....	3.2	1.2	6.0	(27.1)
£204½	950	PLM "B" Sk 25	£171½	+¼	Q23.2%	0.3	3.8	—
184	114	PSM Intl	160	−6	5.5	2.2	4.8	12.2
255	167	Pacer Systems $0.01	200	....	Q03.84c	3.4	1.5	22.3
78	56	Pacific Sales 10p	62	....	3.0	2.1	6.8	8.1
342	225	Park Place 10p	330	....	6.25	1.9	2.7	27.7
445	246	Parker Knoll 'A'	405	....	9.5	2.9	3.3	14.7
555	208	Parkfield Group 5p	535	+5	1.4	♦	1.0	♦
53	30	Pavion Intl	32	....	—	—	—	6.5
£130	£92	Do 11pc Cnl.n '94-02	£102	....	Q11%	—	f11.5	—

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NOTES

REGIONAL & IRISH STOCKS

"Recent Issues" and "Rights" Page 35 (International Edition Page 29)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
July 14	July 24	July 25	Aug 4
July 28	Aug 7	Aug 8	Aug 18
Aug 11	Aug 28	Aug 29	Sept 8

* "New-time" dealings may take place from 8.30 am two business days earlier.

Gilts hit by sterling weakness but equities close steadier

Bearish views on the short-term outlook for the UK currency because of weakening crude oil prices made certain that attention in London stock markets yesterday would be focused on sterling. Its sharp fall — the exchange rate index dropped 1.3 to 71.7 to the lowest level since early March last year —brought initial losses of almost a point in Government bonds but had a more sobering impact on leading shares.

NatWest easier

The Gilt-edged market opened nervously with many longer-dated securities being quoted ½ down on Friday's closing limits. Dealers encountered loose offering from some private investors concerned over the situation, but reported little noticeable shift of interest by institutional holders to the selling tack. The sales were sufficient to extend the easier tone, although from mid-morning onwards trade was light.

Spasmodic covering of short positions eventually initiated a tentative recovery and the movement gathered momentum towards the close. In the after-hours' business prices attempted to ease again before steadying on currency influences. Finally the longs closed with falls ranging to ⅝ on balance, while the shorts were around $\frac{1}{16}$ off. Consideration of the latest issue of index-linked stock—£400m is to be offered this week — left longer maturities down ⅜ in places.

Adjournment of the Opec talks until today failed to make any contribution to either Gilt-edged or equity market sentiment. The latter started the first session of a new trading Account cautiously following suggestions that the steep index fall of the previous period may still have some way to go. Jobbers, many of whom were nursing adequate book positions, took a contrasting view and around mid-afternoon the tone began to brighten. The lower pound had a beneficial on some international stocks and the FT-SE 100 share index after recording minor losses during the morning and early afternoon closed a net 3.6 higher at 1,549.4.

Speculation that the GEC bid for Plessey could be blocked by the authorities aroused several possibility but few lasting price improvements in the Electrical sector. Thoughts that GEC could turn to STC were soon discouraged and Plessey denied attempting to buy Ferranti shares. Leading Oils put up a steadier performance despite predictions that crude oil may fall to $5 per barrel. Britoil, however, remained depressed in the wake of Friday's dividend cut and gloomy trading statement.

NatWest cheapened 4 to 508p awaiting today's interim figures; dealers are anticipating first-half profits of around £455m-£460m. Midland, which report on Thursday, hardened a couple of pence at 545p, while Barclays moved up 8 at 528p. Lloyds were unaltered at 395p following comment on the half-year results. Elsewhere, foreign banks showed to good advantage. ANZ rose 8 at 193p and Westpac firmed 7 at 186p, while Compagnie Bancaire advanced 4½ points at £124⅞. Among merchant banks, Rothschild hardened a couple of pence to 126p following Press comment.

There was no sign of a recovery in Insurances. GRE dropped 9 afresh to 868p and General Accident softened a few pence at 825p. Among Life issues, Pearl relinquished ⅜ at £14½ and Pru lost 8 at 815p.

Atlas Converting Equipment staged a successful debut in the Unlisted Securities Market. The shares, placed at 115p, opened at 120p and moved ahead to 125p. Among other recently issued equities, TV-am attracted fresh support and firmed 4½ to 144½p.

Breweries attracted little business of note and rarely strayed from the pre-weekend positions. A flurry of takeover chatter after hours lifted Llanelli-based Buckleys 5 to 105p, while Scotland's Belhaven, the subject of considerable speculative interest recently, closed a couple of pence to the good at 61p. Elsewhere, a press mention lifted Matthew Clark a few pence to a 1986 peak of 515p; last year, the preliminary figures were announced on August 14. H. P. Bulmer rallied 3 to 160p xd, but fellow cider concern Merrydown held at 355p following the annual results and proposed 1-for-8 scrip issue.

Recently depressed Buildings gave a steadier performance although business remained at a relatively low ebb. Blue Circle edged up 3 to 575p, while Tarmac revived with a gain of 10 at 448p. Barratt Developments improved 4 to 134p and AMEC hardened a penny to 265p. RMC, however, again lacked support and drifted back to close 8 cheaper at 646p, while John Laing remained on offer and shed a like amount to 440p. BPB Industries slipped to 494p before picking up to close only a couple of pence cheaper on balance at 498p. Elsewhere, Wiggins continued to attract speculative support and firmed 4 afresh to 127p, while Raine Industries, aided by press comment, touched 79p prior to closing 2 better at 77p.

ICI traded quietly and closed a shade dearer at 995p. Elsewhere in Chemicals, Yorkshire encountered buyers ahead of the half-yearly figures due on August 6 and firmed 4 to 140p. Press comment boosted Thurgar Bardex 6 to 59p, after 60p.

Apart from a speculative gain of 3 to 118p in Sears, leading Stores were idle. Elsewhere, mail order concern Grattan came on offer at 506p, down 22 and Freemans relinquished 4 at 404p. DAKS Simpson shed 10 to 210p and World of Leather gave up 13 at 180p. Term softened 5 at 40p, but Ratners put on 4 at 181p. Alfred Preedy, at 108p, retrieved half of Friday's fall of 8 which followed the poor results.

Plessey ease afresh

Among the Electrical leaders, at 198p, down 4, on continuing doubts about whether GEC will be allowed to make another bid for the company. Racal, in contrast, came to life following the annual report and rose 6 to 176p, while British Telecom became a better market at 182 xd, up 4½p. Elsewhere, United Scientific featured a fresh rise of 15 at 165p, after 168p on continued bid speculation. STC, up to 166p at one stage, reacted to close unaltered on the day at 162p following the denial of bid intentions by GEC. Buying in front of today's interim statement left DJ Security Alarms 15 higher at 100p.

Leading Engineers traded quietly, but GKN improved 4 to 331p awaiting next week's interim statement. Secondary issues were inclined easier. Resisting the trend, Deritend attracted buyers and put on 8 to 270p.

Foods took Friday's modest technical rally a stage further. Currency influences helped Cadbury Schweppes improve 3 to 166p, while Rowntree Mackintosh hardened a couple of pence to 462p. United Biscuits moved up 11 to 235p as speculative interest revived and Unigate rallied a couple of pence to 282p. Takeover favourite Bejam retained a gain of a penny at 171p despite rumours of a large line of stock being on offer, while Dee Corporation firmed 2 to 230p awaiting today's annual results. Christian Salveson were unmoved by news that the company is in negotiations for the disposal of its housebuilding operations, while Hillards were also unchanged, at 193p, following the annual figures.

Speculative counter Norscot Hotels proved an erratic market and raced ahead to 135p on takeover hopes before easing back on profit-taking to close only a penny better on balance at 128p. Mount Charlotte hardened a penny better on balance at 128p. half-timer.

Hargeaves up on bid

Miscellaneous industrials provided several good features. Hargreaves were prominent at 230p, up 50, in response to news of the share exchange offer from Coalite; the latter closed 8 cheaper at 292p. Speculative demand left Bodycote 30 higher at 300p, while favourable Press mention prompted a rise of 27 to 337p in Johnston Group. Bentox advanced to 50p before settling 12 higher on the day at 47p amid talk that a large shareholding had changed hands; Bentox stated yesterday that no declaration has been received of new notifiable interest in the company's equity. Revived demand on expansion hopes left Dwek 6 to the good at 118p, but Marling Industries eased that amount to 65p following disappointing preliminary figures. Hawley, which last week increased its holding in Brengreen to 18.8 per cent, fell 7 to 94p on talk that it may launch a counter-offer for Brengreen. Reuters advanced to 513 following the preliminary figures, but subsequently fell back to close only 3 firmer on balance at 503p. Asset injection hopes left Continuous Stationery 8 dearer at 66p. Parkfield touched 560p on the annual results and proposed full listing, but reacted to close only 5 higher on the day at 535p. Leading issues rarely strayed from previous closing levels.

Dowty provided a prominent firm feature in Motors, rising 9 afresh to 226p on Press comment and talk of a broker's pending circular. Armstrong Equipment, meanwhile, attracted persistent speculative support and jumped 8 to 131p, while Jonas Woodhead continued to reflect Carclo takeover hopes with a fresh improvement of 2 to 63p, after 65p. Further consideration of the board's latest strong rejection of Turner and Newall's unwelcome offer left AE 5 better at 255p. Elsewhere, T. Cowie moved up 2 to 184p on hopes of bumper results next Monday, but Western Motor remained on offer at 187p, down a further 8.

Investors were seemingly impressed with Friday's announcement that Jefferson Smurfit's US arm had taken over Container Corporation of America, thus doubling its presence in the world's biggest packaging market. Smurfit rose to 256p at one stage before a close of 254p, making an advance of 32 on the session.

Property leaders made a brighter showing. Scattered support was forthcoming for Land Securities, 5 better at 322p, and MEPC, a couple of pence dearer at 330p. Hammerson A hardened 5 to 430p. Elsewhere, Merivale Moore gained 25 to 200p in a restricted market following newsletter comment, but Marler Estates eased 10 to 535p on reports that the company has a rights issue pending; the preliminary results are due on Thursday. Wates City of London found support at 141p, up 4, while Stockley added 2 more to 93p. Rosehaugh picked up 5 to 595p, while Dares Estates firmed 2 to 18½p, the latter helped by Press comment. Speculative counter Parkdale eased to 78p initially, but picked up to close only 3 cheaper on balance at 81p.

Walter Runciman, 20 up at 165p on speculative buying, provided an isolated firm feature in Shippings.

Buying in belated response to an investment recommendation helped Robert H. Lowe feature Textiles with a leap of 17 at 120p. Hugh Mackay firmed 7 at 100p and Tomkinsons put on 5 at 185p. Courtaulds, however, lacked support and softened a couple of pence at 265p.

Already a firm market at 130p on further consideration of the half-year statement and proposed acquisition of Interpoly, NMC Investments advanced further to end the session 7 better on balance at 135p on the announcement that Messrs C. & M. Saatchi had increased their respective shareholdings in the company to 19.45 per cent. Mercantile House rose 5 to 300p following Press comment ahead of tomorrow's annual figures.

Britoil down again

Sharply lower on Friday reflecting interim profits some £6m below market estimates and the halved dividend, Britoil came under further selling pressure and reacted to a record low of 98p before steadying slightly on news that Morgan Guaranty has increased its holding in the company to 9.5 per cent from 6.5 per cent, to close a net 9 down at 101p, a fall of 35 over the last two trading sessions. Other leading Oils traded quietly pending the outcome of the latest Opec meeting currently under way in Geneva. Quotations tended to edge higher on currency influences with British Petroleum a shade dearer at 565p and Shell 5 higher at 795p. Elsewhere, Enterprise gave fresh ground to close 5 down at 94p and LASMO slipped to 90p prior to closing a couple of pence cheaper at 93p. Irish Oils displayed a bright feature in Conroy Petroleum which gained 12 to 160p following speculative buying.

South African mining markets again presented a steady, if subdued profile. Cape indications were neutral, partly reflecting a stable performance by the Financial Rand, but London and Continental operators displayed occasional interest following the firmer trend in bullion, finally $3.75 up at $353.5 an ounce.

Heavyweight Golds, aided by bear closing, finished around the session's best. Gains rarely exceeded a quarter-point, however, although Vaal Reefs provided an exception at £36⅛ up ½. The Gold Mines index rose 2.6 to 199.3.

South African Financials went better with Amgold ½ up at £34½ and Anglo-American 35 dearer at 695p. De Beers rallied 8 to 408p. Continuing worries about possible disruption to supplies prompted revived support of Platinums. London "call" option business was forthcoming for Impala, 10 up at 580p, while Rustenburg, still benefitting from the pleasing preliminary figures, rose a similar amount to 585p.

The widespread shake-out in "down-under" industrial and financial stocks — resulting from the poor performance of the Australian dollar — had little apparent effect on mining issues. Golds improved behind firmer bullion with Central Norseman 23 up at 348p and Gold Mines of Kalgoorlie 20 to the good at 355p. Leading diversified counters also made noteworthy progress with Western Mining 7 up at 135p and Peko-Wallsend 9 dearer at 216p. Among the more speculative explorers, Sons of Gwalia, 200p, and ACM, 100p, improved 8 apiece, while Whim Creek advanced 10 to 110p.

Traded Options

A generally subdued session in London equities was mirrored by Traded Options. Total contracts amounted to 11,846 — the lowest since mid-June. British Telecom again proved to be the liveliest class, attracting 975 calls and 368 puts.

FINANCIAL TIMES STOCK INDICES

	July 28	July 25	July 24	July 23	July 22	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	88.88	89.19	89.19	88.86	88.74	83.85	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.76	96.03	95.83	95.65	95.55	88.63	97.68 (7/7)	86.55 (23/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,263.8	1,263.7	1,264.2	1,286.8	1,274.7	932.4	1,425.9 (3/4)	1,094.3 (14/1)	1,435.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	199.3	196.7	195.9	197.2	189.7	342.1	357.0 (27/1)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.36	4.36	4.36	4.27	4.31	4.99				
Earnings Yld.%(full)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				
P/E Ratio (net) (*)	11.68	11.67	11.59	11.78	11.68	9.82				
Total Bargains (Est)	23,620	22,836	22,986	23,021	23,348	20,421				
Equity Turnover £m.	—	526.09	521.66	482.98	404.78	341.67				
Equity Bargains	—	23,801	19,574	18,858	19,952	11,238				
Shares Traded (ml).	—	263.6	238.2	212.1	213.6	164.9				

S.E. ACTIVITY

Indices	July 25	July 24
Gilt Edged Bargains	110.2	109.4
Equity Bargains	134.2	126.8
Equity Value	1,063.4	1,054.4
5-Day Average		
Gilt Edged Bargains	121.2	123.4
Equity Bargains	134.2	129.7
Equity Value	958.5	995.5

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1260.8	1260.6	1260.4	1260.0	1259.9	1261.0	1260.5	1261.6

Day's High 1263.8. Day's Low 1259.8.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.28.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

EUROPEAN OPTIONS EXCHANGE

Series	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
[illegible]							
NEDL P Fl.170	54	11	—	—	—	—	
NATN C Fl.85	309	2.10	31	4.50	10	7	Fl.80.60
NATN P Fl.75	36	1.60	27	2.50	—	—	
PHIL C Fl.55	844	1.40	332	2.40	199	3.70	Fl.47.80
PHIL P Fl.50	890	3.20	306	4.30	148	4.70	
RD C Fl.200	236	2.60	168	6.30	11	8.90	Fl.186.80
RD P Fl.190	1600	B	71	9.10	4	10	
ROBE C Fl.95	—	—	25	3	—	—	Fl.90.30
UNIL C Fl.500	393	18	85	27.80	18	42	Fl.484
UNIL P Fl.460	139	5.20B	20	8	—	—	

TOTAL VOLUME IN CONTRACTS: 25,868

A=Ask B=Bid C=Call P=Put

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Bentox	47	+12	Land Securities	322	+5
Britoil	101	−9	Reed (Austin) A	140	−2
DJ Sec. Alarms	100	+15	Reuters B	503	+3
Enterprise Oil	94	−5	TACE	440xd	−27
Gonna Kerr	310xd	+4	United Scientific	165	+15
Jaguar	513	+7	Woodhead (J.)	63	+2

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Fri. close	Day's change	Stock	No. of changes	Fri. close	Day's change
Britoil	53	110	−26	Renold	19	78	+8
Raine Industs.	29	75	+1	BP	18	563	−10
British Telecom	26	182	—	Bejam	17	170	+3
Times Veneer	26	58	−1	ICI	17	994	+12
Abaco Invests.	22	68	−3	Parkdale	16	84	+14
Pentland Inds.	21	415	−10	Lasmo	13	95	−5

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	112	3
Corporations, Dominion and Foreign Bonds	2	36	32
Industrials	339	320	861
Financial and Properties	104	69	405
Oils	18	28	78
Plantations	3	3	9
Mines	72	20	94
Others	110	51	97
Totals	646	637	1,567

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
July 21	Aug 1	Oct 23	Nov 3
Aug 4	Aug 15	Nov 6	Nov 17
Aug 18	Sept 5	Nov 20	Dec 1

For rate indications see end of Unit Trust Service

Call options were taken out in Dowding and Mills, Sound Diffusion, ANZ, Hestair, Phoenix Property, Priest Marians, Noble and Lund, Britoil, Hawtin, Hawley, Prestwich, Bristol Oil and Minerals, Dwek, Impala, Rustenburg, Henera, Owners Abroad, Micro Focus, Burndene, Amstrad, Tebbitt and Brittan, Combined Technologies, J. E. England, BSG International, Abaco Investments, Victoria Carpet, York and Equity, Brikat, Benjamin Priest, Hickson International, Intervision Convertible and Thomas Marshall (Loxley). No puts or doubles were reported.

Prestel lowers cost of access in Wales

PRESTEL, British Telecom's public videotex service, is to introduce low-cost telephone access to its computers for subscribers in Wales.

Up to now more than 98 per cent of Prestel's subscribers could connect to the service at local call rates. With this most recent extension and others planned for the north-east and north-west of England the whole of the UK will be able to connect to Prestel at lower rates.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Monday July 28 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Fri July 25 Index No.	Thurs July 24 Index No.	Wed July 23 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (212)	686.95	—	8.92	3.57	14.27	18.59	686.65	691.76	700.98	495.64
2 Building Materials (26)	774.72	+0.2	9.14	3.72	13.76	12.01	773.67	787.84	794.95	534.62
3 Contracting, Construction (30)	1188.61	−0.5	9.96	3.84	17.82	18.95	1195.33	1213.56	1222.95	812.22
4 Electricals (12)	[illegible]									
5 Electronics (38)	[illegible]									
6 Mechanical Engineering (61)	[illegible]									
8 Metals and Metal Forming (7)	[illegible]									
9 Motors (16)	[illegible]									
10 Other Industrial Materials (22)	[illegible]									
21 CONSUMER GROUP (183)	[illegible]									
22 Brewers and Distillers (22)	[illegible]									
25 Food Manufacturing (22)	[illegible]									
26 Food Retailing (15)	[illegible]									
27 Health and Household Products (10)	[illegible]									
29 Leisure (28)	[illegible]									
32 Publishing & Printing (14)	[illegible]									
33 Packaging and Paper (14)	[illegible]									
34 Stores (39)	[illegible]									
35 Textiles (17)	[illegible]									
36 Tobaccos (2)	[illegible]									
41 OTHER GROUPS (86)	[illegible]									
42 Chemicals (20)	[illegible]									
44 Office Equipment (4)	[illegible]									
45 Shipping and Transport (13)	[illegible]									
47 Telephone Networks (2)	[illegible]									
48 Miscellaneous (49)	[illegible]									
49 INDUSTRIAL GROUP (483)	[illegible]									
51 Oil & Gas (17)	[illegible]									
59 500 SHARE INDEX (500)	[illegible]									
61 FINANCIAL GROUP (117)	[illegible]									
62 Banks (7)	[illegible]									
65 Insurance (Life) (9)	[illegible]									
66 Insurance (Composite) (7)	[illegible]									
67 Insurance (Brokers) (9)	[illegible]									
68 Merchant Banks (12)	[illegible]									
69 Property (50)	[illegible]									
70 Other Financial (23)	[illegible]									
71 Investment Trusts (101)	[illegible]									
81 Mining Finance (2)	[illegible]									
91 Overseas Traders (14)	[illegible]									
99 ALL-SHARE INDEX (734)	787.86	+0.1	—	4.11	—	13.67	787.08	789.93	779.64	601.91

	Index No.	Day's Change	Day's High	Day's Low	July 25	July 24	July 23	July 22	July 21	Year ago
FT-SE 100 SHARE INDEX §	1549.4	+3.6	1549.4	1543.5	1545.8	1547.7	1572.3	1569.2	1566.2	1248.9

FIXED INTEREST

PRICE INDICES	Mon July 28	Day's change %	Fri July 25	xd adj. today	xd adj. 1986 to date
British Government					
1 5 years	121.84	−0.18	122.06	—	6.89
2 5-15 years	139.91	−0.30	140.55	0.21	7.99
3 Over 15 years	147.50	−0.05	148.25	—	7.93
4 Irredeemables	163.53	−0.35	164.11	—	7.27
5 All stocks	136.31	−0.29	136.81	0.10	7.62
Index-Linked					
6 5 years	113.60	−0.14	113.15	—	1.91
7 Over 5 years	114.77	−0.38	115.21	—	1.99
8 All stocks	114.59	−0.34	114.83	—	1.94
9 Debentures & Loans	119.61	−0.18	119.84	0.82	5.85
10 Preference	84.56	+0.03	84.53	—	3.73

AVERAGE GROSS REDEMPTION YIELDS		Mon July 28	Fri July 25	Year ago (approx.)
British Government				
1 Low Coupons	5 years	8.26	8.21	9.94
2	15 years	9.25	9.21	10.02
3	25 years	9.28	9.24	10.01
4 Medium Coupons	5 years	9.45	9.35	10.79
5	15 years	9.59	9.54	10.41
6	25 years	9.59	9.54	10.08
7 High Coupons	5 years	9.80	9.73	10.95
8	15 years	9.73	9.67	10.56
9	25 years	9.57	9.52	10.09
10 Irredeemables		9.22	9.19	9.81
Index-Linked				
11 Inflat'n rate 5%	5 yrs	3.95	3.88	4.11
12 Inflat'n rate 5%	Over 5 yrs	3.57	3.55	3.70
13 Inflat'n rate 10%	5 yrs	2.69	2.61	3.47
14 Inflat'n rate 10%	Over 5 yrs	3.41	3.38	3.51
15 Debs & Loans	5 years	10.89	10.81	11.38
16	15 years	10.85	10.37	11.29
17	25 years	10.68	10.64	11.22
18 Preference		10.28	10.25	12.43

§Opening index 1544.4; 10 am 1545.4; 11 am 1545.1; Noon 1545.6; 1 pm 1545.7; 2 pm 1545.7; 3 pm 1545.2; 3.30 pm 1546.7; 4 pm 1545.6

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (48)

AMERICANS (10) Amer. Cyanamid, Bell Atlantic, FPL Grp., Ford Motor, Houston Inds. Inc., Pacific Gas and Elect., Pacific Telesis, Quaker Oats, RJR Nabisco, US West. BANKS (2) Algemene, Allied Irish. BREWERS (1) Clark (Matthew). BUILDINGS (1) Vibroplant. CHEMICALS (2) Engelhard, Yorkshire. ELECTRICALS (3) ASEA AB A, Elec. Security, Toshiba Corp. ENGINEERING (3) Cook (Wm.) (Sheffield), Deritend Stamping, Downiebrae. FOODS (1) Bensons Crisps. HOTELS (1) Norscot. INDUSTRIALS (7) Bentox, Continuous Stationery, Hargreaves, Hunslet Whampoa, Jardine Hldgs., Johnston Grp., Noble & Lund. MOTORS (1) Abbey Panels. NEWSPAPERS (1) Mustorlin. PAPER (1) Smurfit (Jefsn). PROPERTY (4) Mountleigh, Priest Marians, Stockley, Wereldhave. SHIPPING (1) Runciman (W.). TEXTILES (2) Courtaulds 7pc Db. '82-87, Lowe (Robt. H.). TRUSTS (4) Robeco (Br.), Rorento NV, US Deb. Corp., Amalgamated Financial Invs. OILS (2) Conroy Pet. Nat. Res., Petrofina SA.

NEW LOWS (40)

AMERICANS (2) Amer. Medical Int., Gemson Oil. BANKS (1) First Nat. Finance 9.5pcCv.Cn.Red.Pf. STORES (2) Bedford (Wm.), DAKS Simpson A. ELECTRICALS (5) Electrocomponents, Int. Signal and Control, Laser Labs., P-E International, Philips Finance 6¼pc. ENGINEERING (1) SPP. FOODS (1) Fitch Lovell. HOTELS (1) Garfunkels Restaurants. INDUSTRIALS (12) AGB Research, Ashley Ind. Tst., Brit. Bloodstock, CSR, Elbar AS, High-Point Services, Marling Inds., Mitchell Cotts, Russell (A.), SAC Intl., Stonehill, Tinsley (Eliza). LEISURE (2) Saga Holidays, Viewplan. PAPER (1) Deprey Communications. SHIPPING (1) British and Commonwealth. SOUTH AFRICANS (1) Tongaat-Hulett. TRUSTS (2) Argo Invs., Caledonia Invs. OILS (6) Berkeley Explin., Britoil, Carless Capel, Enterprise Oil, Offshore Oil, Pennine Res. PLANTATIONS (1) Anglo-East Plants. MINES (1) Musto Explorations.

BASE LENDING RATES

Bank	%	Bank	%
ABN Bank	10	Exeter Trust Ltd.	10½
Allied Arab Bank Ltd	10	Financial & Gen. Sec	10
Allied Dunbar & Co	10	First Nat. Fin. Corp.	11
Allied Irish Bank	10	First Nat. Sec. Ltd	11
American Express Bk.	10	● Robert Fleming & Co.	10
Amro Bank	10	Robert Fraser & Ptrs.	11
Henry Ansbacher	10	Grindlays Bank	‡10
Associates Cap Corp.	10	● Guinness Mahon	10
Banco de Bilbao	10	● Hambros Bank	10
Bank Hapoalim	10	Heritable & Gen. Trust	10
Bank Leumi (UK)	10	● Hill Samuel	§10
Bank Credit & Comm.	10	C. Hoare & Co.	10
Bank of Cyprus	10	Hongkong & Shanghai	10
Bank of Ireland	10	Knowsley & Co. Ltd	10½
Bank of India	10	Lloyds Bank	10
Bank of Scotland	10	Mase Westpac Ltd.	10
Banque Belge Ltd	10	Meghraj & Sons Ltd.	10
Barclays Bank	10	Midland Bank	10
Benchmark Trust Ltd	10	● Morgan Grenfell	10
Beneficial Trust Ltd	11	Mount Credit Corp. Ltd	10
Berliner Bank AG	10	National Bk. of Kuwait	10
Brit. Bk. of Mid. East	10	National Girobank	10
● Brown Shipley	10	National Westminster	10
CL Bank Nederland	10	Northern Bank Ltd.	10
Canada Permanent	10	Norwich Gen. Trust	10
Cayzer Ltd	10	PK Finans. Intl (UK)	10½
Cedar Holdings	11	Provincial Trust Ltd	11
● Charterhouse Bank	10	R. Raphael & Sons	10
Citibank NA	10	Roxburghe Guarantee	11
Citibank Savings	¶10¾	Royal Bank of Scotland	10
City Merchants Bank	10	Royal Trust Co. Canada	10
Clydesdale Bank	10	Standard Chartered	10
Comm. Bk. N. East	10	Trustee Savings Bank	10
Consolidated Credits	10	UDT Mortgage Express	¶10.9
Continental Trust Ltd.	10	United Bank of Kuwait	10
Co-operative Bank	*10	United Mizrahi Bank	10
The Cyprus Popular Bk	10	Westpac Banking Corp	10
Duncan Lawrie	10	Whiteaway Laidlaw	10½
E. T. Trust	11	Yorkshire Bank	10
Equatorial Tst Corp. plc	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£25,000+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

LONDON TRADED OPTIONS

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Midland Bk (*544)	500	50	65	80	3	8	12
	550	10	30	47	23	30	37
	600	3	14	23	67	70	75
P. & O. (*483)	460	53	45	65	8	15	22
	500	7	22	40	25	37	45
	550	2	9	18	70	72	75
Racal (*176)	160	22	30	38	2	6	9
	180	0	17	24	11	14	16
	200	2	[illegible]	15	[illegible]	[illegible]	[illegible]

[illegible]

July 28. Total contracts 11,846. Calls 7,857. Puts 4,289. *Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices July 28

[illegible]

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices July 28

[illegible]

Total Sales 2,313,743 shares

Indices

NEW YORK DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

RISES AND FALLS

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

Advances 354 Declines 1,190

TORONTO

[illegible]

* Indicates pre-close figure

* Saturday July 26: Japan Nikkei 17,098.3, TSE 1,445.80.

[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued from Page 39

[illegible]

LONDON

Chief price changes

(In pence unless otherwise indicated)

RISES

Armstrong	131	+ 8
Benlox	47	+12
Bodycote Intl	300	+30
Cent Norse	348	+23
Conroy Pet	160	+12
Dowty	226	+ 9
Hargreaves	230	+50
Johnstone G	337	+27
Lowe (Rob H)	120	+17
Merivale M	200	+25
NMC Invs.	135	+ 7
Racal Elec	176	+ 6
Runciman (W.)	165	+20
Smurfit (Jeffs)	254	+32
Tarmac	448	+10
Thrugar Bardex	60	+ 7
United Bisc	235	+11
United Sc	165	+15
Whim Creek	110	+10
Wiggins Group	127	+ 4
Yorkshire Chem	140	+ 4

FALLS

Tr 8½% 2007	£23¾	− ⅝
Tr 2½% IL '20	£94½	− ½
Britoil	101	− 9
Coalite	292	− 8
Hawley Group	94	− 7
Laing (J.)	440	− 8
TACE	440xd	−27

NEW YORK CLOSING PRICES

Continued from Page 39

[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
20½	13½	AAR s	.44	2.9	17	x84	22	21¾	22	+½
30	21¾	ADT	.92	4.8		269	23½	22⅛	22⅞	−½
30	11½	AFG s			17	242	30⅜	30	30¼	
25⅝	13¾	AGS			19	27	17¾	17⅜	17½	−½
15	9⅞	AMCA			261	3	11⅜	11¼	11¼	−¼
60⅝	37½	AMR			78	6706	51¼	50⅛	50⅝	+¼
27½	23¼	ANR pf 2.67		10.		1	25¾	25¾	25¾	−½
12½	8½	APL			8	19	11½	11½	11½	
15¾	11⅛	ARX	.71t	6.3	10	34	11½	11⅛	11¼	−¼
48⅛	25¾	ASA	2a	6.4		939	31¼	30⅞	31⅛	+⅝
18⅝	10½	AVX		3.0		193	11⅛	10½	10⅝	−¼
32	22⅝	AZP	2.72	9.1	8	1252	130⅞	30	30	−¾
55	28⅜	AbtLb s .84		1.7	23	3760	50¼	48⅛	48½	−¾
32	18⅝	AccoWd .56		2.1	18	423	25¾	26	26¼	−¾
16¼	9⅛	AcmeC .40		4.1		160	9⅞	9⅝	9⅞	+⅛
9¼	7	AcmeE .32b		4.1	19	10	7⅞	7¾	7¾	−¼
20⅜	17	AdaEx 1.90e		9.2		118	u21	20⅝	20⅝	−⅛
33⅜	13	AdmMl .40		1.3	14	116	32	21⅛	31½	
20⅜	11¼	AdvSys .83t		4.9	19	68	17	16⅝	16⅞	
32⅞	14⅛	AMD				3524	15⅜	14⅝	14⅝	−½
12⅝	6⅝	Adobe e				34	6¾	6¾	6⅝	−⅛
18⅜	14⅜	Adob pf 1.84		13.		17	14¾	d14⅛	14⅜	−¾
20¼	13¼	Adob pf 2.40		14.		11	17⅜	17½	17¼	
18⅜	7⅛	Advest .12a		.8	13	169	16⅛	15⅞	15⅞	−½
66¼	42¼	AetnLf 2.64		4.4	11	2502	61½	60¼	60⅝	−½
57½	51½	AetL pf4.28e		8.2		44	52½	52½	52½	+½
28⅝	9⅜	Ahmans .40		1.6	3	5449	25⅜	25½	25⅝	−1

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Continued on Page 39

NYSE COMPOSITE CLOSING PRICES

Continued from Page 38

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
58 1/8	41 1/2	NSPw	pf4.56	8.3		z110	55 1/4	55 1/4	50 1/4	+ 1/4
89 7/4	63 5/8	NSPw	pf6.80	8.4		z20	81	81	81	− 1/2
39 1/8	25 1/4	NorTel	.40	1 4		1220	28 1/2	27 3/4	27 7/8	− 3/4
4 3/4	2 7/8	Nthgat g				146	3 1/4	3 1/8	3 1/4	+ 1/4
54 7/8	38 5/8	Nortrp	1.20	2.7	15	565	44 3/4	44 1/8	44 1/4	− 1/8
21	6	NwStW				30	17 1/4	16 7/8	16 7/8	− 1/8
43	33 1/2	Norton	2	5.5		318	36 7/8	36 1/2	36 1/2	
40 1/2	22 3/8	Norwst	1.30	4 7	12	932	39 1/4	35 1/4	35 1/2	− 3/4
35 1/2	23 5/8	Novo	.34e	1 1	13	685	31 3/4	31 1/4	31 5/8	− 1/8
46 1/8	26 3/8	Nucor s	.32	.9	12	1976	34 7/8	33 1/2	34	− 3/4
8 1/2	3 1/2	NutriS	.08j		153	305	8 1/4	8 1/8	8 1/8	
69	36 1/2	Nynex	s3.48	5.3	11	4983	67	65 3/4	66 1/8	− 1/2
		O O O								
3	1 1/4	Oaklnd				1678	1 3/4	d	1 1/8	1 1/4 − 1/8
35 5/8	27 3/4	OakiteP	1 52	5.2	15	5	29 1/8	29 1/8	29 1/8	
36 3/4	22 5/8	OcciPe	£.50	10.	5	4125	25 1/8	23	24 1/2	− 1/2
15 5/8	0	OcciP	wt			10	10 1/2	10 1/2	10 1/2	− 1/4
59 1/2	52 5/8	OcciP	pf6 25	12.		1135	54 3/4	54 1/8	54 1/4	− 3/8
110 1/8	101 5/8	Occi	pf14.62	14.		18	103 1/4	103	103	− 1/8
24 1/4	11	ODECO	.35j		40	93	11 1/8	11	11	
41	27 1/2	Ogden	1.80	4.5		403	36 1/8	39 3/4	39 3/4	− 1/8
20 3/4	14 5/8	OhioEd	1 92	6 7	8	2265	20	19 3/4	19 7/8	− 1/8
40	28 1/4	OhEd	pf3 60	10.		z500	39	36	35	− 1/2
46	34	OhEd	pf4 50	10.		z380	45	44	45	+ 1
72 5/8	31	OhEd	pf7.24	10.		z60	70	76	70	
76	50 1/2	OhEd	pf7 36	10.		z700	73 1/4	73	73 1/4	+ 1/8
32	26 3/4	OhEd	pf3.50	11.		7	30 3/4	30 5/8	30 3/4	
24 1/2	29 5/8	OhEd	pr3.92	12.		20	33 5/8	33 3/8	33 3/8	− 3/8
20 3/8	14 3/4	OhEd	pf1.80	6.1		4	19 7/8	18 1/2	19 7/8	+ 3/8
92 1/8	68 3/4	OhEd	pf9.12	10.		z2340	88 7/8	88	60 1/4	− 1/2
87 1/4	30	OhEd	pf8.64	10.		z360	82 1/2	82 1/2	82 1/2	
103 1/2	88	OhE	pf10.76	11.		z20	99 1/2	99 1/2	99 1/2	+ 1/2
18 3/8	18 7/8	OhMatr	.40	3.2	35	30	12 7/8	12 5/8	12 5/8	− 1/4
86	30 1/2	OhP	pf 8.64	9.7		z200	84	83	83	− 1
[illegible]										

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
28 1/4	16 1/2	WebbD	.20	.9	11	x94	22 1/4	22 3/4	22 1/8	− 1/2
12	8 3/8	Wedtch			8	325	7 3/4	7	7	− 3/8
22 7/8	19	WeinR	n1.58	7 4	17	137	21	20 7/8	21	
42	28 1/2	WeisMa	.54	1 5	18	18	36 7/8	36 5/8	36 3/4	− 1/4
116 1/8	51 1/2	WellsF	2 72	2 8	12	556	104 3/8	104	104 1/4	+ 1/4
52 1/8	46	WelF	pf3 60e	7.6		10	47 3/8	47 3/8	47 3/8	+ 1/8
28 1/2	20 1/2	WelFM	2 60	10.	12	73	27 1/8	26 3/4	26 7/8	
17 1/8	11 1/2	Wendys	.20	1.5	17	2969	14	13 1/4	13 3/4	
24 1/4	22 5/8	WestCo	.40	1 7	15	10	28	29	29	− 1/8
54	42	WPenPpf	4.50	8.6		z680	52 1/2	51 1/2	52 1/2	+ 1 1/2
60 5/8	37 1/4	WstPtP	2.20a	4.2	14	261	52 1/4	51 3/4	52	− 1/4
13 3/4	9 1/2	WstctT	g1.04			11	9 1/2	9 1/2	9 1/2	
16	5 3/4	WnAirL			8	4173	10 1/8	9 3/4	9 1/8	− 1/8
5	1 3/4	WnAir	wt			251	3 3/4	3 1/2	3 3/4	+ 1/8

Continued on Page 37

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued on Page 37

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

$ worries prompt sharp fall

DEEP CONCERN over a further plunge in the bond market prompted a sharp decline on Wall Street yesterday, *writes Paul Hannon in New York.*

Key Treasury issues dropped by almost two full points oo fears that this week's refunding operation will prove more difficult in the face of the weakening dollar and waning foreign enthusiasm for US bonds. Last week's confusing array of data on the state of the economy continued to undermine sentiment.

The Dow Jones industrial average closed down 36.14 at 1,773.90 on volume of 128m shares. The transportation and utilities average also showed steep falls.

The decline in the stock market was exacerbated by arbitraged sell programmes linked to stock index futures.

Among leading blue chips IBM gave up early strength to trade $1¾ down at $132⅝, American Can was down $1 to $83⅜, General Motors was $2⅞ lower at $66⅛ and Merck lost $⅞ to $103.

The stores sector continued to offer attractions with Safeway, the largest supermarket chain in the US, jumping $4⅜ to $66¼ in response to the leveraged buy out plan by Kohlberg Kravis Roberts at $69 per share, or $4.2bn. Dart, the unsuccessful suitor of Safeway, dropped $10 to $152 in over-the-counter trading.

Sears lost $2⅞ to $41 after the leading department store group filed an SEC shelf registration for the issue of 9m shares of common stock.

AT&T was actively traded $1 down to $23¼ while Western Union lost $¼ to $3⅜ on its second-quarter loss of $3.4m.

In the unsettled steel sector, LTV gave up an early $¼ but finished steady at $3 in heavy turnover, while Bethlehem Steel fell $½ to $9¼. USX resisted the pressure with its $⅝ rise to $18⅞.

Santa Fe Southern Pacific regained its poise after last week's ruling on the 1983 rail merger and added $¼ to $27⅝.

Burlington Northern also advanced with a $¼ rise to $53¼ while CSX lost $⅜ at $27⅜.

Allied Signal advanced $⅝ to $42⅜ on reports that the diversified energy and chemicals group may consider a substantial stock buyback.

VF Corp, the clothing and leisure group, retreated $⅝ to $34 on its plans to buy Blue Bell Holding, the parent of the Wrangler jeans maker.

The end of a six-week strike at Weyerhaeuser, the timber products group, resulted in a gain of $½ to $32. Hammermill Paper rose $1¼ to $55 on reports that the paper manufacturer could be looking for a white knight, or may consider a leveraged buyout, to block a $52 a share tender offer by a group led by the investor Mr Paul Bilzerian.

Among oils, Exxon fell $⅞ to $59⅝ while Texaco dipped $½ to $30 ahead of the eppeal this week of the $11.1bn legal judgment in the Pennzoil case. Pennzoil also lost $⅛ to $54½. Mobil retreated $½ to $30⅝ after the sale of its packaging unit for $700m in a move to cut debt while Unocal dropped $1 to $16⅝ on its slump in the first half.

In the high technology sector, Texas Instruments closed $1 higher at $109⅞ in response to its earnings turnround for the latest quarter while Burroughs dropped $1⅞ to $66¼.

Morgan Stanley, the investment bank, dipped $1¼ to $65½ despite its higher second-quarter figures while E. F. Hutton recovered $2⅛ of its recent losses to trade et $37.

Republic Air, the latest carrier to release quarterly earnings figures, dropped $¼ to $16¼ on sharply lower profits of $35m while TWA edged $⅝ higher to $17⅜. UAL, parent of United Airlines, slipped $¼ to $50¼.

The plunge in the bond market, triggered last week by more confused signals on the state of the economy, saw sharp falls among key issues.

Attempts at recovery were halted hy concern over foreign support for the Treasury's refunding plans this week in the light of the weaker dollar.

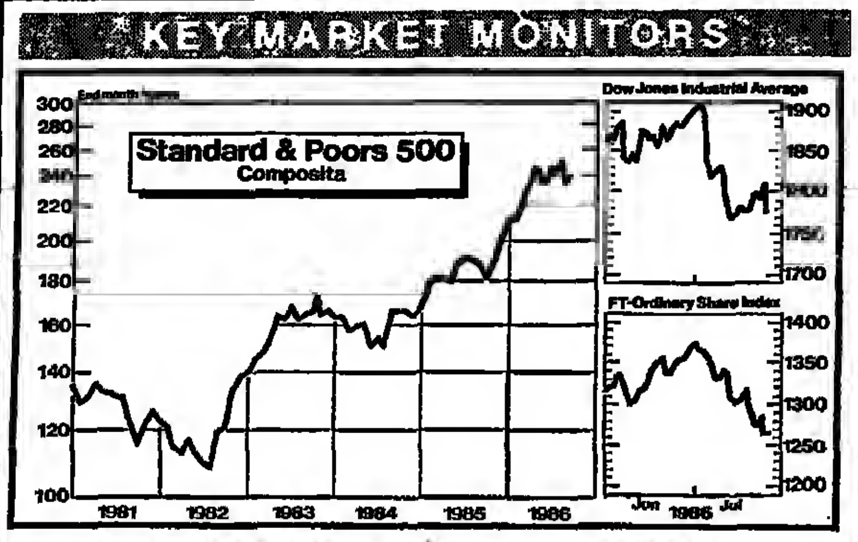
The Treasury's bellwether long bond, the 7¼ per cent due in 2016, fell over 1½ points, making a drop of nearly five points in five sessions, at 96 8/32 to yield 7.56 per cent.

The other key issue, the 7¼ per cent due in 1996, traded down 27/32 at 99 8/32 to yield 7.48 per cent.

Federal funds traded for most of the session at 6⅞ per cent at which level the Federal Reserve Board announced a $2hn customer repurchase agreement.

Rates on Treasury bills jumped with the three-month issue seven basis points higher at 5.89 per cent and the six-month issue five basis points up at 5.95 per cent. The one-year issue traded four hasis points higher at 6.02 per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

	July 28	Previous	Year ago
NEW YORK			
DJ Industrials	1,773.90	1,810.04	1,357.08
DJ Transport	713.63	720.50	688.20
DJ Utilities	203.01	207.45	157.42
S&P Composite	236.01	240.22	192.40
LONDON			
FT Ord	1,263.8	1,263.7	932.4
FT-SE 100	1,549.4	1,545.6	1,239.7
FT-A All-share	767.86	767.0	601.91
FT-A 500	839.57	838.57	656.25
FT Gold mines	199.3	196.7	342.1
FT-A Long gilt	8.57	9.52	10.51
TOKYO			
Nikkei	18,038.94	18,050.59	12,648.1
Tokyo SE	1,456.40	1,452.02	1,048.43
AUSTRALIA			
All Ord.	1,094.7	1,118.8	934.6
Metals & Mins.	492.1	491.1	549.6
AUSTRIA			
Credit Aktien	230.25	229.78	97.46
BELGIUM			
Belgian SE	3,651.46	3,646.74	2,322.60
CANADA	July 28	Prev	Year ago
Toronto			
Metals & Minls	1,954.1	1,974.0	2,121
Composite	2,940.9	2,957.5	2,804.8
Montreal			
Portfolio	1,464.16	1,481.75	138.99
DENMARK			
SE	n/a	202.59	214.89
FRANCE			
CAC Gen	381.50	377.5	216.0
Ind. Tendance	146.00	144.0	79.9
WEST GERMANY			
FAZ-Aktien	613.31	616.31	469.32
Commerzbank	1,843.30	1,851.70	1,379.2
HONG KONG			
Hang Seng	1,847.29	1,843.57	1,683.85
ITALY			
Banca Comm.	731.63	717.66	351.88
NETHERLANDS			
ANP-CBS Gen	284.30	282.2	219.5
ANP-CBS Ind	285.60	283.7	185.6
NORWAY			
Oslo SE	337.83	336.07	330.16
SINGAPORE			
Straits Times	732.91	726.92	778.44
SOUTH AFRICA			
JSE Golds	–	1,314.8	866.4
JSE Industrials	–	1,208.5	968.6
SPAIN			
Madrid SE	171.83	(c)	81.81
SWEDEN			
J & P	2,462.77	2,455.13	1,356.34
SWITZERLAND			
Swiss Bank Ind	518.90	513.9	467.0
WORLD	July 25	Prev	Year ago
MS Capital Int'l	329.3	328.5	220.9

COMMODITIES

(London)	July 28	Prev
Silver (spot fixing)	339.95p	336.35p
Copper (cash)	£898.00	£897.75
Coffee (September)	£1,893.50	£1,909.50
Oil (Brent blend)	$8.87	$6.85

GOLD (per ounce)

	July 28	Prev
London	$353.50	$349.75
Zürich	$353.45	$349.60
Paris (fixing)	$354.11	$350.46
Luxembourg	$348.90	$346.20
New York (Aug)	$355.10	$348.20

CURRENCIES

(London)	US DOLLAR July 28	US DOLLAR Previous	STERLING July 28	STERLING Previous
$	–	–	1.4815	1.4830
DM	2.1135	2.1450	3.13	3.18
Yen	155.75	157.6	230.75	233.75
FFr	6.8375	6.9390	10.13	10.29
SFr	1.70	1.732	2.5175	2.5675
Guilder	2.382	2.145	3.53	3.58
Lira	1,4535	1,471	2,153.5	2,1615
BFr	43.65	44.35	64.65	65.75
C$	1.3875	1.387	2.0525	2.0555

INTEREST RATES

	July 28	Prev
Euro-currencies (3-month offered rate)		
£	10	10
SFr	5	5⅛
DM	4 11/16	4⅝
FFr	7⅝	7⅝
FT London Interbank fixing (offered rate)		
3-month US$	6⅝	6⅝
6-month US$	6⅝	6⅝
US Fed Funds	6⅞*	6¼
US 3-month CDs	6.25*	6.455
US 3-month T-bills	5.85*	5.97

US BONDS

Treasury		July 28 Price	July 28 Yield	Prev Price	Prev Yield
6⅝	1988	99 29/32	6.76	100 17/32	6.70
7¼	1993	99 8/32	7.38	100 7/32	7.20
7⅜	1996	99 8/32	7.50	100 20/32	7.27
7¼	2016	96 8/32	7.58	98 24/32	7.35

Source: Harris Trust Savings Bank

Treasury Index Maturity (years)	Return index	July 28* Day's change	Yield	Day's change
1–30	153.09	–0.02	7.37	+0.01
1–10	146.24	+0.01	7.12	+0.01
1– 3	137.59	+0.10	6.77	+0.00
3– 5	148.28	–0.02	7.32	+0.03
15–30	177.73	–0.10	8.21	+0.01

Source: Merrill Lynch

Corporate	July 28 Price	July 28 Yield	Prev Price	Prev Yield
AT & T				
3⅞ July 1990	90⅜	6.60	90⅜	6.59
SCBT South Central				
10⅞ Jan 1993	106	6.63	105⅞	6.68
Phibro-Sal				
8 April 1996	98.72	8.50	98⅝	8.21
TRW				
8⅞ March 1996	100.95	8.80	103.80	8.17
Arco				
9⅞ March 2016	102⅛	9.66	103¼	9.54
General Motors				
8⅜ April 2016	91	6.00	91⅛	6.98
Citicorp				
9⅞ March 2016	96¼	8.76	97	9.68

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	95–22	96–15	95–16	97–00
US Treasury Bills (IMM) $1m points of 100%				
Sept	94.27	94.30	94.25	94.33
Certificates of Deposit (IMM) $1m points of 100%				
Sept	n/a	n/a	n/a	93.79
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	93.41	93.42	93.38	93.44
20-year Notional Gilt £50,000 32nds of 100%				
Sept	119–27	120–01	119–07	120–07

* Latest available figures

TOKYO

High hopes encourage enthusiasm

HOPES of a continuing bull market during August added to buying interest in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

Low-priced, large-capital and domestic demand-related issues were popular.

The Nikkei average gained 40.65 from Saturday to close at 18,036.94. But trading volume weakened from Friday's 1,179.66 to 767.86m shares as institutional investors stood back. Declines led advances by 417 to 414, with 134 issues unchanged.

The sharp fall in volume yesterday followed a lack of fresh incentives and the low profile of institutions and securities companies on the final day of trading for July settlements.

Market participants were generally optimistic that turnover would begin to increase today, because of a consensus that the rise in equities would continue at least until early August.

Buying interest gathered strength in the afternoon on rumours that major securities companies had recommended that institutional investors should issue large-lot buy orders from today. In particular, buying focused on issues such as steels, shipbuilders, electric powers and gases as those likely to be favoured by institutional investors in August.

Nippon Kokan topped the active list with 100.89m shares traded. It firmed Y4 to Y245. Nippon Steel, also active with 85.82m shares traded, added Y4 to Y202, and Ishikawajima-Harima Heavy Industries, with 61.71m shares, rose Y10 to Y383.

Tokyo Gas, with 54.83m shares traded, climbed Y36 to Y730 on renewed buying, while Tokyo Electric Power jumped Y290 to Y5,500. Other gas and power stocks gained ground in sympathy across the board.

Buying interest in low-priced, large-capital issues spread to shippings and textiles. Nippon Yusen added Y20 to Y515, while Kanebo rose Y8 to Y540 on investor appraisal of expansion of its biotechnology business. Toray increased Y4 to Y662 on hopes of buying hy institutional investors next month.

Among export-oriented issues, Toshiba firmed Y7 to Y484 and Mitsubishi Electric Y10 to Y410 due to a lull in the yen's surge against the dollar. Other hlue-chips remained out of favour.

Biotechnology stocks eased against the trend.

Bonds weakened in thin trading as dealers sat on the sidelines, awaiting the announcement of the schedule for US treasury bond tenders in August. The market was adversely affected by Bank of Japan Governor Mr Satoshi Sumita's remarks yesterday that the central bank was not considering reducing its discount rate for a fourth time this year.

The yield on the bellwether 6.2 per cent government bond due in July 1995 moved up from 4.740 to 4.765 per cent.

HONG KONG

PROFIT-TAKING trimmed early gains in Hong Kong leaving the Hang Seng index 3.72 up at 1,847.29, after adding 10 during the morning.

Hongkong and Kowloon Wharf's 50 per cent rise in year-end profits helped bolster market sentiment. The group's shares closed unchanged at HK$7.65, while its parent, World International, added 25 cents to HK$8.55 on an almost 48 per cent rise in profits for the year.

EUROPE

Firm results allay fears on currencies

SEPARATE DOMESTIC factors buoyed trading in most of Europe as fears of further falls in the dollar and the pound were hrushed aside and investors took heart from Friday's firmer trend in Wall Street.

Signs that the Belgian coalition is patching up differences over planned budget cuts injected optimism into Brussels and trading was more active than in recent sessions.

Higher first-half results and an increase in total assets for Générale de Banque, up Bfr 80 at BFr 5,840, lifted financial issues. Royal Belgique added BFr 300 to BFr 26,750 and Société Générale de Belgique gained BFr 55 to BFr 2,925, while Kreditbank shed BFr 350 to BFr 16,000.

Bekaert, the wiremaker, firmed BFr 75 to BFr 11,375 and Fabrique Nationale, the armaments manufacturer, gained BFr 25 to BFr 2,100, but Solvay, the largest chemical issue, declined BFr 70 to BFr 7,230.

Petroleum shares were mixed and apparently indifferent to the latest effort by Opec to halt the fall in oil prices. Petrofina, Belgium's largest industrial group rose BFr 10 to BFr 8,860, but Cometra slid by the same amount to BFr 2,810.

Domestic and foreign buyers showed interest in Zurich banking issues as settlement day trading turned active.

Healthy half-year results from the banking sector last week attacted interest and UBS bearer gained SFr 65 to SFr 5,475, and Swiss Bank advanced SFr 7 to SFr 511.

Nestlé put on SFr 50 to SFr 7,700 ahead of news that it expects net profit in 1986 to match that of last year, even in the face of falling turnover.

Bonds ended mixed on selective demand.

Paris advanced and car and construction issues gained from the drop in the overnight call money rate.

Peugeot climbed FFr 34 to FFr 1,000, Michelin. rose FFr 42 to FFr 3,332, while Bouygues led construction issues with a FFr 50 rise to FFr 1,310 and Lafarge-Coppée attracted FFr 42 to FFr 1,402.

Avions Dassalt was active in the engineering sector, gaining FFr 79 to FFr 1,499, while publishing issues were encouraged by a FFr 275 jump in Hachette to FFr 2,900.

Strong demand for insurers, industrials and financial issues pushed Milan higher, where prices ended just below the day's highs.

Olivetti, which has been given permission from the Cartel Office to buy Triumph-Adler, climbed L650 to L17,250, Fiat rose L400 to L14,700, while Mediobanca, which is still rising on expectations of a capital increase, jumped L2,700 to L270,000.

Oslo ended its recent plunge as weak trading saw the market move slightly higher.

Bik Bok, the fashion clothes retailer which has applied to increase its foreign shareholding quota from 20 to 40 per cent, advanced NKR 3.50 to NKr 232.50, while Norsk Hydro gained 50 cents to NKr 132.50

Selective trading left Amsterdam mixed with Unilever Fl 7 up at Fl 484 and Royal Dutch off 80 cents at Fl 186,80.

Bonds were mostly unchanged after slow trading.

Frankfurt dropped back in a technical reaction to last week's gains and the Commerzbank index shed 8.4 to 1,843.3.

Foreigners kept to the sidelines, disturbed hy the lower dollar and sterling's drop to an all-time low against the D-Mark.

Deutsche Bank gave up DM 12 to DM 778, Daimler fell DM 23 to DM 1,142, while BMW ended at DM 490, down DM 80 after a one-for-four rights issue.

Puma, the sports equipment and clothing manufacturer, fell DM 4 to DM 491 on its second day of trading and utility group Veba shed DM 5 to DM 253.

Bonds faded by around 35 basis points with some scattered gains of 15 basis points.

The Bundesbank bought DM 48.4m worth of domestic paper after buying DM 15.4m on Friday.

Stockholm ended mixed as foreigners continued to sell shares in Ericsson after warnings that development costs will affect results. It ended unchanged at SKr 218.

Madrid fell in quiet trading.

SOUTH AFRICA

THE HIGHER bullion price gave a boost to gold shares in Johannesburg and the firmer trend filtered through to other mining shares.

Among golds Buffelsfontein added R2.50 to R76.25, Driefontein R1 to R56 and Free State Consolidated R1 to R35.

Elsewhere among minings Rustenburg Platinum closed R1 up at R43.75

LONDON

Gilts hit by weakness in sterling

THE WEAKNESS of sterling left gilts lower in London yesterday but equities closed steadier. The FT Ordinary share index added 0.1 to close at 1,263.8.

Among stocks to benefit from the pound's fall was Jaguar which added 7p to 513p.

Reuters B edged up 3p to 503p on higher half-year profits. Britoil continued to fall in the wake of Friday's dividend cut and gloomy trading statement. It closed 9p lower at 101p. Enterprise Oil shed 5p to 94p.

In the gilts market longs closed with falls ranging to ⅝ on balance while shorts were around ⅛ off.

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AUSTRALIA

CONCERN over the fall in the Australian dollar sparked selling in Sydney where the All Ordinaries closed 24.3 lower at 1,094.6.

Quality industrials were particularly hard hit by currency worries.

Among losers BHP closed 26 cents down at A$7.94 and Bell Resources lost 25 cents to A$3.85.

Among banks ANZ fell 3 cents to A$4.50, National Australia Bank 14 cents to A$4.94 and Westpac 2 cents to A$4.40.

SINGAPORE

A LACK of fresh factors kept institutional investors on the sidelines in Singapore although some selective buying helped push the Straits Times index 5.81 higher at 732.91.

Banks closed generally firmer in thin trading with DBS up 5 cents at S$6.90, Malay Banking 2 cents at S$3.62 and OUB 5 cents at S$2.90. UOB, at S$3.82, and OCBC, at S$6.95, were unchanged.

CANADA

A RISE in golds failed to spread to other sectors in Toronto, which traded generally lower after an early advance.

Among golds Lac Minerals, which reported lower quarterly profits on Friday, traded C$⅝ up to C$22¼. Dome Mines added C$¼ to C$7⅛.